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1996

Annual Report

to Parliament

Crown Corporations and Other Corporate Interests of Canada

Canada

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President
of the Treasury Board

Président
du Conseil du Trésor

Ottawa, Canada K1A 0R5

It is with pleasure that I table the ***1996 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada***. This Annual Report is the principal means by which the government informs Parliament and Canadians about its corporate holdings.

The government wants to deliver its services to Canadians in the most effective and cost-efficient way possible, while ensuring quality. With this in mind, we launched the Program Review two years ago to refocus the government's activities on its fundamental roles and responsibilities. This requires ongoing efforts to streamline and rationalize programs and services. It presents challenges and sometimes calls for difficult choices.

The fundamental rethinking of the role of government cannot be done without also examining the role that Crown corporations should play.

In some cases, the mandates of Crown corporations were reviewed. These included Canada Post, The Canadian Wheat Board and several Crown corporations active in the cultural sector. In other cases, we decided to withdraw the federal government from activities, as in the case of CN.

In other areas, the government will increasingly delegate authority to those best placed to respond to clients' needs. We have offered the provincial and territorial governments the opportunity to take over the management of existing social housing resources. The Canada Mortgage and Housing Corporation is pursuing these discussions.

Finally, the Treasury Board Secretariat, working with a private and public sector advisory group, published the *Guidelines on Corporate Governance in Crown Corporations and Other Public Enterprises* in October 1996. These guidelines set forth various ways of improving the effectiveness of boards of directors.

In these ways, the government is ensuring that Crown corporations continue to play an important role in the lives of Canadians.

Marcel Massé

December 10, 1996
Ottawa, Canada

Canada

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INTRODUCTION

The President of the Treasury Board's ***1996 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*** provides a consolidated report on the businesses and activities of all parent Crown corporations and the other corporate interests of the Government of Canada. The Report comprises a number of sections plus an Annex:

- **Overview of the Portfolio** highlights the major activities that have taken place in the portfolio of Crown corporations during 1995-96. The Overview describes these activities within the context of the corporate environment, initiatives that are taking place in the area of corporate governance, revisions to Crown corporations regulations, the growing trend toward privatization and commercialization, and the impact of ongoing restraint measures.

  The Overview describes significant developments, major events and trends in Crown corporations, according to the industry sector within which the Crown corporations operate. As well, developments in the government's other corporate interests are highlighted. Two summary tables present consolidated financial position, and employment information, as well as the operating results for Crown corporations by sector.

- **Corporate Abstracts** profile each parent Crown corporation describing its mandate, historical background, corporate highlights, performance and financial results.

- **Corporate Holdings** presents a listing of parent Crown corporations and their corporate holdings.

- **Other Corporate Interests** is a compilation of the other corporate interests of Canada, and provides supplementary information about them.

- **Tabling of Reports in Parliament** presents a record of annual reports and corporate plan and budget summaries tabled in Parliament by responsible Ministers.

- The **Annex** contains the audited financial statements for each parent Crown corporation.

This ***1996 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*** is prepared under the direction of the President of the Treasury Board by the Alternative Service Delivery, Crown Corporation Policy and Privatization Sector, formerly called the Crown Corporations and Privatization Sector of the Department of Finance and Treasury Board Secretariat. It responds to requirements of the *Financial Administration Act* (FAA) Sections 151 and 152 that the following documents be tabled in Parliament annually:

- a consolidated report on the businesses and activities of parent Crown corporations, including information on all Crown corporations and other corporate interests of Canada; and

- a report indicating when annual reports and corporate plan and budget summaries were to be laid before each House (for the twelve-month period ending on July 31), and when they were actually laid before that House.

BACKGROUND AND CONTEXT

Overview of the Portfolio

The current Crown corporation portfolio decreased in size in 1995-96 - from 48 to 46 parent Crown corporations. The corporations vary widely in size and differ in their demands on the government for financial support. Each has its own unique public policy purpose.

Each Crown corporation is a legally distinct entity wholly-owned by the Crown and managed by a board of directors. The enabling legislation for each Crown corporation, whether by a special Act of Parliament or by articles of incorporation under the *Canada Business Corporations Act*, sets out the Crown corporation's mandate, powers and objectives.

CORPORATE ENVIRONMENT

Change was again a hallmark in the 1995-96 fiscal year for the Crown corporation sector. All levels of government are exploring new alternatives for program delivery. The government continued to restructure based on the framework for alternative program delivery established in February 1995. In March 1996 the government released a document called *Getting Government Right: A Progress Report.* This document confirmed that the government is moving away from traditional models of service delivery to explore new ways to deliver programs and services that offer the best value for the taxpayers' dollars.

The framework for alternative program delivery is part of the government's strategy for getting government right. The framework supports the implementation of Program Review decisions. It provides departments with strategies, principles and criteria to promote client-oriented, affordable and innovative government services.

Alternative program delivery can be achieved in numerous ways, including: establishing more service-oriented and businesslike special operating agencies (SOAs) and other flexible service delivery arrangements; setting up Crown corporations; negotiating partnering arrangements with other levels of government and private and voluntary sectors; commercializing government services to improve efficiency while protecting the public interest; and privatizing government programs and services.

The Treasury Board, with overall responsibility for managing the federal public service, has issued this framework to promote broad understanding of the program delivery instruments and arrangements that the government supports to achieve its objectives.

To reflect this new emphasis, the group within government responsible for monitoring Crown corporations was restructured. The former Crown Corporations and Privatization Sector became the Alternative Service Delivery, Crown Corporation Policy and Privatization Sector of the Department of Finance and Treasury Board of Canada.

Guidelines on Corporate Governance are Published

As Crown corporations restructured to continue to provide quality service with less funding, the necessity of good corporate governance practices gained importance.

In 1995, an Advisory Group was drawn together to assist the government in its use of Crown corporations and public enterprises to deliver services to Canadians. Under the direction of the Advisory Group, Guidelines on ***Corporate Governance in Crown Corporations and Other Public Enterprises*** were issued in October 1996. The Guidelines set forth a number of ways in which the effectiveness of boards of directors can be strengthened.

As Crown corporations restructured to continue to provide quality service with less funding, the necessity of good corporate governance practices gained importance.

The major privatization initiative in 1995-96 was the sale to the public of the Canadian National Railway Company.

The Guidelines present 10 recommendations categorized into three broad areas of responsibility for improving the effectiveness of corporate governance practices in Crown corporations. "Stewardship of the Corporation" covers the board's responsibilities, public policy objectives, and communications. "Working with Management" deals with board and management relations, board independence, and the position of the CEO. The third section, "Functioning of the Board," looks at renewal of the board, education of directors, and responsibility for corporate governance.

The Guidelines were endorsed by both the Minister of Finance and the President of the Treasury Board, and were reviewed and supported by the Privy Council Office and the Office of the Auditor General of Canada.

The Guidelines parallel the private sector corporate governance guidelines adopted by both the Toronto and Montreal Stock Exchanges. They should provide a benchmark for developing corporate governance practices in Crown corporations. In fact, many Crown corporations are closely examining their own governance practices.

The issue of corporate governance has received a great deal of attention over the last several years - both in the private sector and within government. In 1996 a report on corporate governance issues in Canada was released by the Standing Senate Committee on Banking, Trade and Commerce, chaired by the Honourable Michael Kirby. Some of the Report's recommendations are directed toward Crown corporations.

The theme of the Canadian Comprehensive Auditing Foundation conference of May 1996 was "Governance in Transition." The conference looked at changing governance responsibilities, effective performance, management and accountability.

Major Initiatives in Privatization and Commercialization

Privatization and commercialization, in cases where they can be shown to improve services and reduce costs while continuing to protect the public interest, have been an important aspect of the framework for alternative service delivery.

Significant progress has been made on the privatization and commercialization initiatives announced in the 1995 Budget. The March 1996 Budget announced that the government intends to continue reviewing its shareholdings, assets and services for their privatization or commercialization potential.

Privatization

The major privatization initiative in 1995-96 was the sale to the public of the Canadian National Railway Company (CN). The gross proceeds from the sale were \$2.1 billion. The privatization of CN was the largest Initial Public Offering (IPO) ever in Canada. From the gross proceeds, \$0.9 billion was used to reduce CN's debt, and \$1.2 billion was applied towards the government's Debt-Servicing and Reduction Account.

The government reduced its 71.5 percent interest in Petro-Canada through a public share offering that generated net proceeds of \$1.7 billion. The proceeds of the sale will be paid to the

government in three installments. The last installment is due in March 1997.

The net proceeds of over $2.5 billion from these two sales will reduce the government's financial requirements in both 1995-96 and 1996-97.

Building on the progress made in privatizing CN and selling the bulk of its shares in Petro-Canada, the government will continue to pursue opportunities for privatization of Crown corporations and commercialization of other government activities. The government announced its intention to sell Theratronics International Limited, a company that manufactures cancer treatment and advanced computerized treatment planning systems, when the company's operations warrant. Theratronics is a wholly-owned subsidiary of the Canada Development Investment Corporation. As well, the government's shareholding in National Sea Products Limited, one of Canada's largest producers of fish and seafood products, will be sold, subject to consultations with the company and market conditions.

Commercialization

The government has made progress on other initiatives to privatize or commercialize its operations that were announced in the 1995 Budget. For example, the property and maintenance operations in the National Capital Commission were taken over by six employee takeover corporations.

The 1996 Budget indicated that the Canada Mortgage and Housing Corporation (CMHC) will begin to operate the Mortgage Insurance Fund and the Mortgage-backed Securities Guarantee Fund on a more commercial basis, to respond better to market changes, to improve efficiency, and to ensure a more competitive marketplace.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act,* in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Crown corporations in the marine transport sector.

The government introduced legislation to modernize and streamline the marine transport sector.

Further Reform of Subsidies

The 1995 Budget announced that subsidies to business would be reduced between 1994-95 and 1997-98. The 1996 Budget announced additional actions to reform subsidies. The structure of subsidies will be transformed as well so that there will no longer be direct production subsidies. Some of the subsidy reductions had an impact on Crown corporations.

The 1995 Budget announced a 15 percent reduction in the dairy subsidy effective August 1, 1995 and a further 15 percent reduction on August 1, 1996.

The government will phase out the remaining dairy subsidy over five years, starting on August 1, 1997.

The postal subsidy, paid to Canada Post by Canadian Heritage, that provides preferential postal rates for Canadian paid-circulation magazines, small community weekly newspapers and libraries, will be reduced by 18 percent from 1997-98 to 1998-99.

Mandate Reviews and Reports

As a part of the overall rationalization of programs and services, the mandates and operations of several Crown corporations were reviewed during the past year.

- The Mandate Review Committee, headed by Pierre Juneau, conducted a fundamental review of the Canadian Broadcasting Corporation (CBC), the National Film Board (NFB) and the Canadian Film Development Corporation (Telefilm). The Committee released its report in January 1996. In the report, the Committee made a number of recommendations for changes in priorities, mandate and structure of the CBC, NFB and Telefilm.

- The Standing Senate Committee on Banking, Trade and Commerce, chaired by the Honourable Michael Kirby, issued its report on "Crown Financial Institutions" in April 1996. The report discussed the government's role in providing financial support to business through its financial intermediaries. The Committee focussed on the Business Development Bank of Canada, the Export Development Corporation, the Farm Credit Corporation, and the Canadian Commercial Corporation.

- The report of the Canada Post Mandate Review, launched in November 1995, was released by the Minister responsible for Canada Post, the Honourable Diane Marleau, in October 1996. The independent review, chaired by George Radwanski, examined financial and policy issues essential to the future of the Corporation. The intent was to ensure that Canadians receive the most efficient and cost-effective postal service. The report contained detailed findings and a series of recommendations which are under consideration by the government.

- The Western Grain Marketing Panel issued its report in July 1996. The Panel was appointed by the Minister of Agriculture and Agri-Food, the Honourable Ralph Goodale, in the fall of 1995 to examine Canada's grain marketing system. The Panel made a number of recommendations. The Minister said that the government would use the Panel's report in considering amendments to the *Canadian Wheat Board Act.*

In 1995 many Crown corporations initiated some type of review and rationalization of operations, resources and services. Many of these reviews were completed during 1995-96.

In 1995 many Crown corporations initiated some type of review and rationalization of operations, resources and services. Many of these reviews were completed during 1995-96. Atomic Energy of Canada Limited, the National Arts Centre Corporation, the National Capital Commission, the Canadian Museum of Nature, and VIA Rail Canada Inc. are some of the corporations that underwent a fundamental review process and that started restructuring and consolidating operations. The types of

review varied from corporation to corporation. Specific details are provided in the individual Corporate Abstracts section that follows this Overview of the Portfolio section.

Restraint Measures are Ongoing

The February 1996 Budget announced further reductions from the 1995 Budget in planned appropriations for Crown corporations. Appropriations are to drop 24 percent from $5 billion in 1994-95 to $3.8 billion in 1998-99. Appropriations to Crown corporations continued to decline at a faster rate than other program spending by the government.

Changes in Wage Restraint

Wage restraint continued to be an important issue for Crown corporations. In June 1996 the government announced it would not extend the *Public Service Compensation Act,* which had frozen wages, past its scheduled expiry in February 1997. In addition, the two-year suspension of annual increments and performance pay was lifted beginning in June 1996. Lifting the freeze affected Crown corporations as well as the public service.

The expiry of the wage freeze will affect all Crown corporations in their approach to compensation issues. A difficult period of transition will be faced by all public sector organizations as they strive to find better ways to link productivity and performance with compensation.

Ten appropriation-dependent, non-commercial Crown corporations are directly subject to the *Public Service Compensation Act.* These include the National Capital Commission and the museum corporations. There are 11 appropriation-dependent, commercial Crown corporations such as the Canadian Broadcasting Corporation and Atomic Energy of Canada Limited. They have been funded as if their wages were frozen. There are also 26 commercially competitive Crown corporations that negotiate their own terms and conditions of employment.

The government expects that Crown corporations will strive to find the right balance between long-term business needs and the current fiscal and labour market realities that have an impact on the broader public sector.

Environmental Issues have an Impact

In 1996, a number of federal environmental policy initiatives had an impact on Crown corporations. The *Alternative Fuels Act* legislated Crown corporations to use alternative fuels in their fleets and, effective April 1997, to ensure that a percentage of newly acquired vehicles are equipped with alternative fuel engines. In mid-1996, Canada Post organized meetings of interested Crown corporations on implementation of the Act.

Crown corporations are expected to maintain high environmental standards in managing their affairs and in achieving their public objectives. In recognition of the arm's length, and often competitive nature of Crown corporations, they are not subject to the authority of the Commissioner of the Environment nor responsible for the preparation of sustainable development plans as are government departments. Instead, Crown corporations have been asked to be sensitive to the government's

Appropriations to Crown corporations continued to decline at a faster rate than other program spending by the government.

Wage restraint continued to be an important issue for Crown corporations.

Crown corporations have been asked to be sensitive to the government's environmental concerns and policies by working with the government on emerging issues.

environmental concerns and policies by working with the government on emerging issues. In addition, Crown corporations must always meet or better the standards applicable to their private sector counterparts.

An advisory committee of Crown corporations was struck in 1995 to monitor environmental issues affecting them. Some members of this committee are working with Environment Canada to develop guidelines on the protection of endangered species. Other members are working with environment, industry and government representatives to develop an appropriate means to ensure the responsible environmental assessment of Crown corporations' operations. The committee is also working with Environment Canada on environmental protection issues, and will continue to monitor environmental issues to ensure that Crown corporations remain good corporate citizens.

The Importance of Reporting to Parliament

The *Financial Administration Act* requires each scheduled Crown corporation to submit an annual report and corporate plan and budget summaries for tabling annually in Parliament. A well-functioning accountability framework is based on the timely receipt by Parliament of useful information on corporate performance. The corporate plan summary serves to inform Parliament of the objectives of the corporation as approved by the government, and the corporation's plans for achieving these objectives. The annual report, in addition to financial statements and the auditor's report, also presents information on how well corporate objectives were met during the reporting period.

This Report contains a section entitled "Tabling of Reports in Parliament" which provides a record of reports tabled during the past year. Crown corporation reporting is monitored and the President of the Treasury Board writes to each Minister responsible for Crown corporations reminding them of the requirements for timely tabling of reports in Parliament and detailing the status of reports tabled within the appropriate timeframe.

Excellence in Reporting is Recognized

In 1994, the Auditor General of Canada introduced the Award for Excellence in Annual Reporting by Crown Corporations. The award recognizes those corporations that provided the best accountability information. It is intended to act as an incentive to corporations to improve the annual reports and the summaries of corporate plans and budgets that are tabled in Parliament.

The 1995 award's recipients were the International Development Research Centre and, for the second time, the Export Development Corporation.

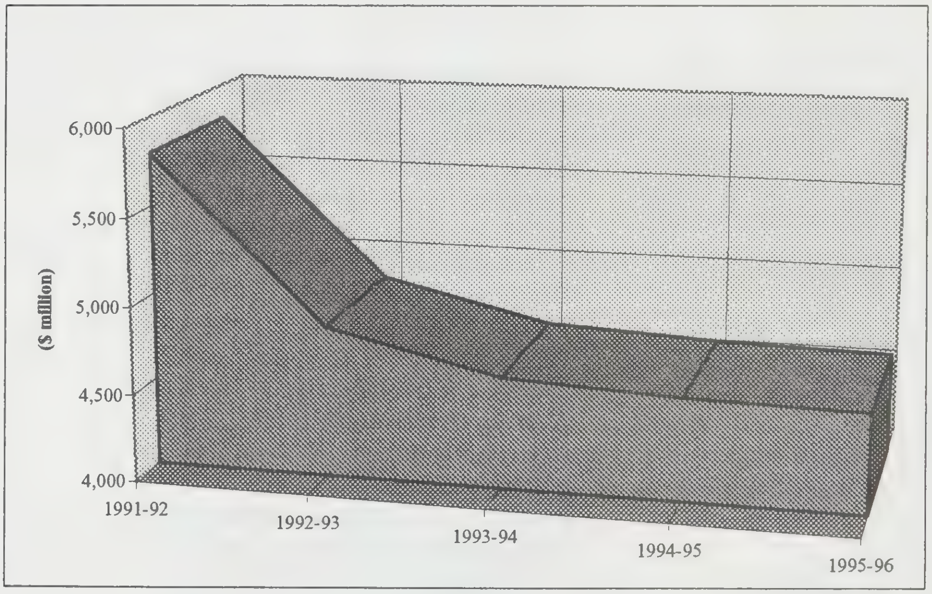
CROWN CORPORATION PERFORMANCE

During 1995-96, Crown corporations continued to focus on budgetary restraint and finding more efficient ways to deliver quality services to their clients and Canadians.

During 1995-96, Crown corporations continued to focus on budgetary restraint and finding more efficient ways to deliver quality services to their clients and Canadians. This part looks at the principal performance indicators of budgetary funding, outstanding debt obligations, profits and losses, assets and employment.

Overall, budgetary appropriations continue to decline and further reductions in funding are anticipated. The total debt owed by Crown corporations declined by 2 percent in 1995-96. The privatization of CN contributed to this reduction. The total net income of Crown corporations increased in 1995-96. The value of Crown corporation assets decreased.

Exhibit 1
Total Budgetary Appropriations
_1991-92 to 1995-96_

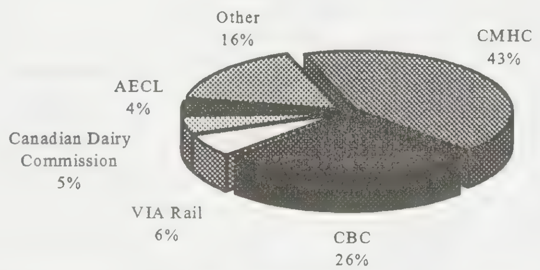


Employment in Crown corporations continued to decline as it has since 1987-88. This reduction results from the privatization or dissolution of corporations and increased operational efficiencies in Crown corporations.

At the end of the Overview of the Portfolio section, Exhibits 9 and 10 present the consolidated financial position and employment, as well as the operating results, for Crown corporations by sector.

CN was privatized in November 1995. Therefore, this is the last year CN will appear in the President's Annual Report on *Crown Corporations and Other Corporate Interests of Canada.* To reflect the reality that CN was a Crown corporation for 11 months, certain of its financial data are included in this Report to Parliament. A corporate abstract is presented, and the Company's 1995

Exhibit 2
Largest Beneficiaries of Budgetary Appropriations, 1995-96



audited financial statements appear in the Annex of Audited Financial Statements. Where CN's financial data have not been included in the analysis, an explanation of the impact of the privatization on the various performance indicators is presented.

Continued Focus on Budgetary Restraint

Budgetary appropriations to the 25 Crown corporations that received them totalled $4,571.7 million in 1995-96 compared to $4,588.0 million in 1994-95. Exhibit 1 shows the downward trend in total budgetary appropriations from $5.7 billion in 1991-92 to $4.6 billion 1995-96.

In 1995-96 the number of Crown corporations receiving budgetary appropriations continued to decline. In 1995-96, the Cape Breton Development Corporation, the Atlantic Pilotage Authority, and the Great Lakes Pilotage Authority, Ltd. ceased to receive appropriations. In 1992-93, 35 Crown corporations received budgetary appropriations. In 1993-94, this number declined to 28 corporations and further decreased to 25 corporations in 1995-96. Exhibit 2 shows that five corporations received 84 percent of the appropriations to Crown corporations. These same five corporations have received the largest appropriations since 1988-89.

Generally, appropriations continue to decline. From 1994-95 to 1995-96, the largest decreases occurred in VIA Rail Canada Inc., the International Development Research Centre, the Canadian Film Development Corporation, Marine Atlantic Inc., the National Capital Commission, and the National Arts Centre Corporation.

Appropriations to two corporations, the Canada Mortgage and Housing Corporation and the Canadian Broadcasting Corporation, were higher in 1995-96 than in 1994-95.

Further Reductions are Anticipated

The February 1996 Budget announced further reductions from the 1995 Budget in planned appropriations for Crown corporations. Appropriations are to drop to \$3.8 billion in 1998-99 or 3.6 percent of all program spending. Appropriations to Crown corporations continued to decline at a faster rate than other program spending by the government.

Significant planned reductions include: Canada Mortgage and Housing Corporation (CMHC) - \$180 million over five years; VIA Rail Canada Inc. - \$63 million over five years; and Atomic Energy of Canada Limited - \$74 million over five years. Funding reductions are also forthcoming but not yet confirmed for the Canadian Broadcasting Corporation.

Decrease in Debt Obligations

The total debt owed by Crown corporations, excluding the Bank of Canada, declined by 2 percent to \$38.6 billion in 1995-96 from \$39.4 billion in 1994-95. The privatization of CN contributed \$1.6 billion to this reduction. Since 1991-92, the total debt obligations of Crown corporations have increased by 12.5 percent as shown in Exhibit 3.

The corporation with the largest debt, the Canada Mortgage and Housing Corporation, had debt of \$13.5 billion in 1995-96 compared to \$11.4 billion in 1994-95 and \$8.7 billion in 1991-92. These debt increases were due to borrowings by CMHC which enable the Corporation to replace the private sector as the direct lender for social housing projects.

Three other large debtors are the financial intermediaries - the Business Development Bank of Canada, the Export Development Corporation and the Farm Credit Corporation. These corporations had a total debt outstanding of \$14.6 billion in 1995-96. In the last three years, these corporations have had their mandates and their access to financial resources expanded. The 1996 Budget announced that both the Business Development Bank and the Export Development Corporation would each receive \$50 million in new equity capital. These three corporations had loans receivable of \$14.4 billion in 1994-95 and \$15.0 billion in 1995-96.

Crown corporation debt owed to the government decreased from \$12.7 billion in 1994-95 to \$11.5 billion in 1995-96. Crown corporation debt owed to the private sector, borrowed on the strength of direct or implicit guarantees by the goverment, grew from \$26.7 billion in 1994-95 to \$27.0 billion in 1995-96.

Crown corporations with debt obligations greater than \$1 billion are shown in Exhibit 4. In 1995-96, increases in debt obligations occurred in CMHC, the Export Development Corporation, the Farm Credit Corporation, and the Business Development Bank of Canada.

The total debt owed by Crown corporations declined by 2 percent to \$38.6 billion in 1995-96 from \$39.4 billion in 1994-95.

The financial intermediaries had total debt outstanding of $14.6 billion in 1995-96.

Exhibit 3
Total Debt Obligations of Crown Corporations

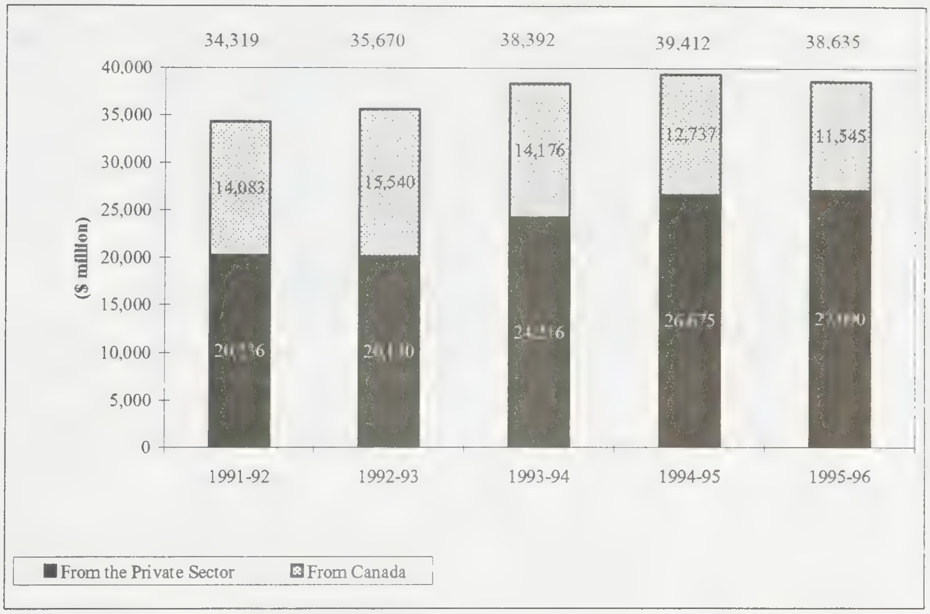
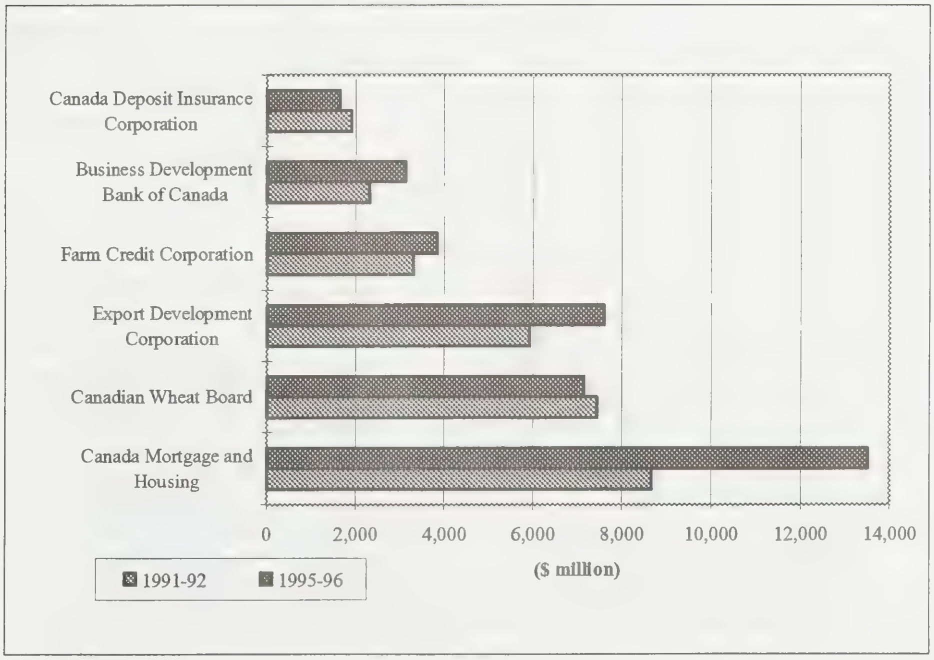


Exhibit 4
Comparison of Largest Debtors in 1995-96 with 1991-92



Net Income

The total net income of Crown corporations increased to $594.1 million in 1995-96 from $57.4 million in 1994-95, excluding the results of CN. Inclusion of CN's 1995-96 loss of $1.08 billion would change the total net income to a total net loss of $491 million in 1995-96.

CN's loss of $1.085 billion in 1995 was primarily due to a $1.3 billion write down of the Company's railway assets in its eastern rail operations.

Significant improvement in net income was reported by several corporations as shown in Exhibit 5. Most notable among these increases were the $545.7 million improvement of Canada Deposit Insurance Corporation, the $177.7 million improvement at Canada Mortgage and Housing Corporation and the $97.1 million improvement at Canada Post Corporation.

These improvements were offset by a decrease in net income in several corporations. Notably, the Cape Breton Development Corporation's (Devco) net income declined by $186.7 million for a loss of $207.4 million in 1995-96. The Canadian Wheat Board's net income declined by $153.6 million to $515.9 million. The Export Development Corporation's net income shrank to $44 million - a decrease of $127 million from that recorded the previous year. The Atomic Energy of Canada Limited's net income declined by $17.1 million, from a profit of $7.2 million in 1994-95 to a $9.9 million loss in 1995-96.

Value of Total Assets Decreased

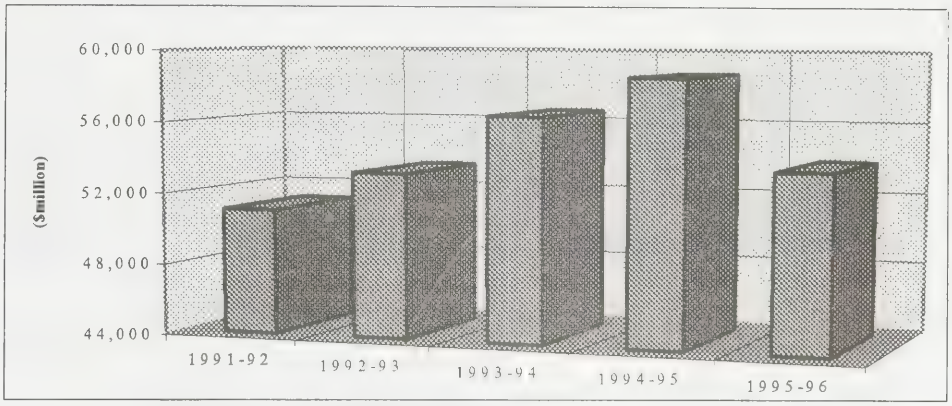
Exhibit 6 shows that the total assets of Crown corporations, excluding the Bank of Canada, from 1991-92 to 1995-96 have ranged in value from $51.0 billion to $53.8 billion. Because of the privatization of CN, whose assets totalled $6.2 billion in 1995, total assets declined by $4.9 billion or 8.3 percent from $58.7 billion in 1994-95 to $53.8 billion in 1995-96.

There was a significant growth in assets in the development and construction sector attributable to the transfer of real estate assets from CN to the Canada Lands Company Limited.

Exhibit 5
Corporations with the Largest Increases to Net Income

Corporation ($ million)	**Net Income**		**Total**
	1994-95	**1995-96**	**Increase**
Canada Deposit Insurance	(99.5)	446.2	545.7
Canada Mortgage and Housing	(93.5)	84.2	177.7
Canada Post	(68.9)	28.2	97.1
Canada Development Investment	(21.8)	25.7	47.5
Canadian Broadcasting	(193.7)	(159.8)	33.9
National Capital Commission	(17.5)	10.5	28
Business Development Bank	9.2	31.6	40.8
Saint John Port	(20.4)	0.2	20.6

Exhibit 6
Crown Corporation Assets, 1991-92 to 1995-96



A priority of the government has been to modernize and rationalize the transport sector.

Employment Figures Continue to Shrink

Employment declined by 30 percent in 1995-96 to 77,614 full-time employees compared with 112,353 the previous year. The privatization of CN reduced the employment figure by 26,951 employees and accounted for 78 percent of the reduction between the two years. The number of employees has declined 36 percent since 1991-92 as shown in Exhibit 7. This reduction results from the privatization or dissolution of corporations and increased operational efficiencies in Crown corporations.

In 1995-96, the largest decreases in employment were experienced by VIA Rail, CBC, the National Capital Commission and the Canada Mortgage and Housing Corporation.

Future decreases are anticipated as part of the rationalization of resources and downsizing currently planned and under way.

Exhibit 7
Employment in Crown Corporations, 1991-92 to 1995-96

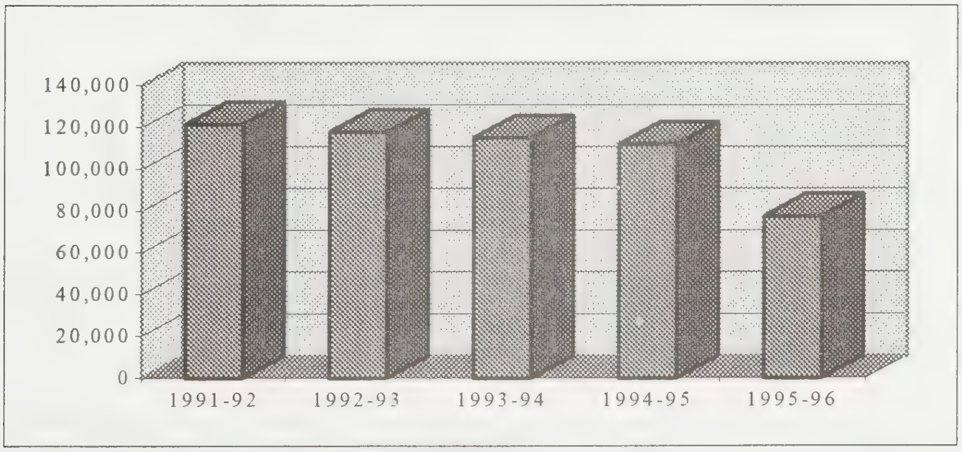


Exhibit 8

1996 PORTFOLIO OF PARENT CROWN CORPORATIONS GROUPED BY SECTOR

Agriculture and Fisheries
Assets: $8.3b Employment: 542

- Canadian Dairy Commission
- Canadian Wheat Board, The
- Freshwater Fish Marketing Corporation

Cultural
Assets: $2.4b Employment: 10,500

- Canada Council
- Canadian Broadcasting Corporation
- Canadian Film Development Corporation
- Canadian Museum of Civilization
- Canadian Museum of Nature
- National Arts Centre Corporation
- National Capital Commission
- National Gallery of Canada
- National Museum of Science and Technology

Development and Construction
Assets: $0.4b Employment: 619

- Canada Lands Company Limited
- Defence Construction (1951) Limited
- Old Port of Montreal Corporation Inc. *
- Queens Quay West Land Corporation

Development and Research
Assets: $0.05b Employment: 423

- International Development Research Centre

Energy and Resources
Assets: $1.8b Employment: 5,972

- Atomic Energy of Canada Limited
- Cape Breton Development Corporation
- Petro-Canada Limited

Financial Intermediaries
Assets: $18.6b Employment: 2,479

- Business Development Bank of Canada
- Canada Deposit Insurance Corporation
- Enterprise Cape Breton Corporation
- Export Development Corporation
- Farm Credit Corporation

Government Services
*Assets: $0.5b** Employment:2,677*

- Bank of Canada
- Canada Development Investment Corporation
- Canadian Commercial Corporation
- Royal Canadian Mint
- Standards Council of Canada

Housing
Assets: $16.2b Employment:2,824

- Canada Mortgage and Housing Corporation

Postal Services
Assets: $2.5b Employment: 44,107

- Canada Post Corporation

Transport
Assets: $3.1b Employment:7,471

- Canadian National Railway Company***
- Marine Atlantic Inc.
- Pilotage Authorities (four)
- Ports Canada (eight)
- The St. Lawrence Seaway Authority
- VIA Rail Canada Inc.

At the corporate year-ends, on or before July 31, 1996; b = $ billion

* The Old Port of Montreal Corporation Inc. is a wholly-owned subsidiary of the Canada Lands Company Limited but reports as a parent Crown Corporation pursuant to sub-section 86(2) of the FAA.

** Financial data for the Bank of Canada is not included.

*** CN was privatized in November 1995.

SECTORAL ANALYSIS

Issues, Highlights, Trends

This part discusses significant developments in the Crown corporation portfolio during 1995-96. The parent Crown corporations have been grouped according to the sectors of the economy portrayed in Exhibit 8. The focus of this part is sectorally based. It provides an analysis of major issues, highlights and trends that affect each sector.

For specific information on the financial performance, corporate profile and highlights of individual Crown corporations, reference should be made to the Corporate Abstracts which appear in the next section.

Transport Sector

The transport sector represents the largest number - 15 of the 46 corporations - in the portfolio. It comprises the port corporations, the pilotage authorities and the rail and marine corporations.

A priority of government has been to modernize and rationalize the transport sector, and fiscal year 1995-96 saw significant changes occur.

Rail

The sale to the public of all of the Government of Canada's interest in CN was finalized on November 28, 1995. In 1995, CN incurred a loss of $1.08 billion primarily due to a $1.3 billion write down of the Company's railway assets in its eastern rail operations. In 1995, CN opened the St. Clair tunnel, which significantly reduces the travel time between the east coast and the Chicago gateway. Phase one of CN's three-phase $100 million Service Reliability Strategy (SRS) was completed in July 1995. SRS, a system for managing freight shipments, lays the foundation for CN to become a fully scheduled railway. In 1995, CN also entered the final phase of its workforce reduction program, which has eliminated 11,000 positions since 1992.

CN plans to purchase 394 new high-productivity locomotives over the next 15 years to replace 543 of its older locomotives. In the fall of 1995, CN placed an order to acquire 105 new locomotives by early 1997. The non-rail assets of CN, including the CN Tower, having a value of $248 million, were transferred to the Canada Lands Company Limited. With the exception of the CN Tower, Canada Lands is to dispose of these assets in an orderly fashion to ensure maximum return to the government.

VIA Rail Canada Inc. is Canada's national passenger rail company. Since 1991, VIA Rail has embarked on a series of initiatives which have helped achieve the government's objectives of reducing subsidies while maintaining passenger rail service. From 1991-92 to 1995-96, VIA's funding has declined by $97.4 million. A further $45 million reduction is planned for 1996-97.

Despite the reduction in funding, VIA maintained train service by streamlining its management and administrative structure; modernizing the collective agreements with its unionized employees, and improving its equipment maintenance procedures. VIA's

A priority of government has been to modernize and rationalize the transport sector, and fiscal year 1995-96 saw significant changes occur.

performance improved in 1995-96, as shown by increased ridership, high customer service satisfaction ratings, and declining operating costs, staff numbers, and operating subsidy/passenger ratio.

Marine

In June 1996 the Minister of Transport, the Honourable David Anderson, introduced Bill C-44, the *Canada Marine Act,* in the House of Commons. The legislation is intended to implement the government's National Marine Policy announced in December 1995 to modernize the marine management and regulatory regime.

If passed, the new Act would create a comprehensive piece of legislation governing the marine sector in Canada; and improve the effectiveness of Canada's major ports by creating a National Ports System made up of independently managed Canada Port Authorities (CPAs). It would streamline the regulatory regime for the new CPAs and other ports currently administered by Transport Canada. The Canada Ports Corporation would be dissolved to reduce the overhead costs for the major ports. The *Public Harbours and Ports Facilities Act* would be repealed.

The government introduced legislation to modernize the marine transport sector.

The new Act would allow the government to pursue commercialization of the operations of the Great Lakes-St. Lawrence Seaway system. The Act would allow the government to enter into an agreement with users of the Seaway or other private sector group for the future management and operation of the Seaway.

The Act would retain a regional approach and pilotage would continue to be managed by the four pilotage authorities (Atlantic, Laurentian, Great Lakes, and Pacific). Pilotage authorities would have to reduce costs and would have no further access to federal funds.

Amendments may be made to the Bill in its passage through Parliament.

In 1995-96, employment in the marine transport sector dropped by 3.7 percent over the previous year. In 1995-96 the 14 corporations comprising the marine transport sector had 4,293 employees, compared with 4,460 in 1994-95. Three corporations, the Laurentian Pilotage Authority, Marine Atlantic Inc., and the Jacques Cartier & Champlain Bridges Inc., a wholly-owned subsidiary of The St. Lawrence Seaway Authority, received parliamentary appropriations in 1995-96.

The government has requested parliamentary authority to forgive approximately $23 million in federal debt owed by port corporations. Of this, $5 million is for the Prince Rupert Port Corporation and approximately $18 million is for the Saint John Port Corporation. The latter would be complemented by $19 million in debt forgiven by the province of New Brunswick for a total of $37 million to ensure the Corporation's financeability when converted to a Canada Port Authority.

Cultural Sector

The corporations in the cultural sector are: Canada Council, Canadian Broadcasting Corporation (CBC), Canadian Film Development Corporation (Telefilm), Canadian Museum of Civilization, Canadian Museum of Nature, National Arts Centre Corporation, the National Capital Commission, National Gallery of Canada and National Museum of Science and Technology.

The National Capital Commission (NCC) was moved from the development and construction to the cultural sector this year. The NCC's focus is providing leadership in promoting national pride and unity through the national capital and its region. Therefore, its mandate fits more appropriately with the corporations in the cultural sector.

This sector employs 13.5 percent of all Crown corporation employees, with a total of 10,500 employees.

Excluding NCC's appropriation of $90 million, appropriations to the sector totalled $1.52 billion in 1995-96 - an increase of $14.9 million from 1994-95. The CBC received $1.17 billion in 1995-96 - an increase from the $1.13 billion it received in 1994-95. Total budgetary appropriations declined for all other corporations in the cultural sector, except for the National Gallery of Canada whose appropriations remained constant.

Net income for the sector improved in 1995-96 from a loss of $452.8 million to a loss of $390.0 million when NCC's net income of $10.5 million is included in the 1995-96 figures. With the exception of the Canadian Museum of Nature, all corporations in the sector showed an improvement in net income. There was a growth in assets in all of the corporations in the sector except Telefilm and the National Arts Centre. Assets grew 26 percent from $1.9 billion to $2.4 billion (including the NCC).

Appropriations to the cultural sector totalled $1.52 billion in 1995-96 - an increase of $14.9 million from 1994-95.

The Mandate Review Committee, headed by Pierre Juneau, conducted a fundamental review of the CBC, the National Film Board and Telefilm. The Committee released its report in January 1996. The government will use the Committee's report in considering options for rationalizing and restructuring the three corporations.

In 1995 the CBC proceeded with an in-depth review of its operations to shape a new, more efficient organization. In November 1995 the Corporation announced a new "Vision for CBC" approved by its board of directors.

In response to decreased appropriations for programming purposes and in anticipation of future decreases in appropriations, corporations in this sector are implementing plans that will look for alternative sources of funding. For example, the Canadian Museum of Civilization expanded its exhibition space by working with a new private sector partner. The Museum has produced and marketed several compact discs and CD-ROMs as well. In another case, a Canada Council task force on tax incentives for the arts looked at ways to bolster arts funding. Each corporation's approach to dealing with these cuts is as unique as the corporation itself; the

There was significant improvement in net income in 1995-96 in the financial intermediaries sector.

Corporate Abstracts section provides specifics.

Financial Intermediaries Sector

Five Crown corporations are included in this sector: the Canada Deposit Insurance Corporation, the Enterprise Cape Breton Corporation (ECBC), the Export Development Corporation (EDC), the Farm Credit Corporation (FCC), and the Business Development Bank of Canada (BDC).

The Business Development Bank, the Export Development Corporation, and the Farm Credit Corporation have all had their mandates, and their access to financial resources, expanded in the last three years. The 1996 Budget announced that new equity capital of $50 million in the form of dividend-paying preferred shares will be injected into the Business Development Bank to increase its lending efforts in strategic growth sectors such as new technology. This would permit up to an additional $350 million in loans to knowledge-based, export and growth businesses. The Budget also announced that the Export Development Corporation would receive $50 million in new equity capital for further innovative types of export financing.

Two corporations in the sector receive budgetary appropriations - the Business Development Bank for its management training and counselling activities, and the Enterprise Cape Breton Corporation. Appropriations remained stable at $29.1 million in 1995-96 and $29.7 million in 1994-95. Employment in the sector also remained stable at 2,479 in 1995-96 and 2,404 in 1994-95.

There was significant improvement in the sector's net income in 1995-96. The Business Development Bank, Enterprise Cape Breton and the Canada Deposit Insurance Corporation all reported improvement in net income. The Canada Deposit Insurance Corporation moved from a loss of $99.5 million in 1994-95 to a $446.2 million profit in 1995-96. These improvements were offset by the Export Development Corporation's $127 million decrease in net income from $171.0 million in 1994-95 to $44.0 million in 1995-96. The Farm Credit Corporation also reported a $2.3 million decline in net income.

There was a 5.6 percent growth in assets, representing $987.5 million for the corporations in the sector in 1995-96. Assets totalled $18.6 billion for the current fiscal year.

In April 1996, the Senate Standing Committee on Banking, Trade and Commerce, chaired by the Honourable Michael Kirby, issued its report on *Crown Financial Institutions*. The Committee examined the issue of how the government's financial institutions (Export Development Corporation, Canadian Commercial Corporation, the Business Development Bank, and the Farm Credit Corporation) function in relation to the private sector. The Committee also looked at the operations of the Atlantic Canada Opportunities Agency, the Federal Office of Regional Development - Quebec and Western Economic Diversification.

In responding to the Senate Committee in July 1996, the Minister of Industry, the Honourable John Manley, stated that over the past year the organizations have undergone a series of changes designed to improve client service and minimize overlap and duplication. To ensure continued progress, the Minister announced the creation of a Council of Crown Financial Institutions (CFIs) consisting of the chairs and chief executive officers of the CFIs and their deputy ministers. The Council would meet regularly to identify opportunities for collaboration to avoid competition, duplication and overlap.

Energy and Resources Sector

Atomic Energy of Canada Limited (AECL), Cape Breton Development Corporation (Devco), and Petro-Canada Limited comprise this sector. A total of 5,972 employees were employed in the sector during 1995-96 compared with 6,146 in the previous year. There was a significant decrease in budgetary appropriations - from \$205.5 million in 1994-95 to \$174.6 million in 1995-96. This \$30.9 million decrease can be attributed primarily to Devco. The Corporation received \$25.4 million in 1994-95 but received no appropriation in 1995-96. As well, AECL's appropriation declined by \$5.4 million in 1995-96.

AECL's revenue decreased in fiscal 1996 to \$573 million compared with \$635.7 million in 1995. This was a reflection of the completion of overseas projects in Romania and Korea. Fiscal year 1995-96 was the first year ever in which the Cape Breton Development Corporation operated without appropriations from the federal government. A number of significant challenges emerged during the year. The Minister of Natural Resources, the Honourable Anne McLellan, commissioned an independent study of the Corporation. The primary objective of the study was to undertake a technical and operational assessment and to determine the Corporation's overall ability to compete with other coal mining companies. The findings, released in February 1996, concluded that operations could be commercially viable; however, success would be dependent on decreasing overall costs and improving some specified systems, policies, and practices. The Corporation reported a loss of \$207.4 million in 1995-96.

There was a significant decrease in budgetary appropriations in the energy and resources sector - from \$205.5 million in 1994-95 to \$174.6 million in 1995-96.

Petro-Canada Limited retains the status of a parent Crown corporation. Petro-Canada Limited was established when Petro-Canada (the oil and gas company) was privatized in 1991. At that time, Petro-Canada repaid all of its previously government-backed debt. Petro-Canada Limited will use the funds provided by Petro-Canada to pay-out the former Crown corporation's long-term debts as they become due, after which time, the company will be wound-up.

Housing Sector

Through the Canada Mortgage and Housing Corporation (CMHC), the government assists Canadians in obtaining affordable and adequate shelter. CMHC achieves its mandate by providing mortgage loan insurance, mortgage-backed securities and mortgage rate protection.

CMHC received the largest budgetary

The 1996 Budget announced a redefinition of the federal presence in housing. CMHC will phase out its remaining role in social housing.

appropriation, $1,953 million, or 43 percent of budgetary appropriations to all Crown corporations. CMHC's budgetary appropriation increased from $1.88 billion in 1994-95 to $1.95 billion in 1995-96. Net income showed a significant improvement from a $93.5 million loss in 1994-95 to a profit of $84.2 million in 1995-96. Assets grew from $13.9 billion to $16.2 billion in 1995-96. Employment declined by 208 employees to a total of 2,824 employees in 1995-96.

The 1996 Budget announced a redefinition of the federal presence in housing. The government announced that it intends to have CMHC operate the Mortgage Insurance Fund and the Mortgage-backed Securities Guarantee Fund in a more commercial manner. The changes are intended to ensure that the funds are managed efficiently, respond better to market changes, and promote a more competitive marketplace.

In the Budget, the government also announced that CMHC will phase out its remaining role in social housing. The government would offer provincial and territorial governments the opportunity to take over the management of existing social housing resources.

The 1995 Budget reduced funding to CMHC. Over three years, $270 million will be cut from the social housing contributions and $36 million from research and social housing administration.

The Corporation's second year in international capital markets was marked by raising $1.9 billion in medium-term financing on international and domestic bond markets. This borrowing program enables CMHC to act as a break-even lender to non-profit and co-operative projects and to provincially and privately financed public housing projects, thus lowering the federal government's cost of social housing.

Postal Services Sector

Canada Post Corporation operates Canada's postal service on a self-sustaining basis. The Corporation has the largest number of employees - 44,107 of nearly 57 percent - of all Crown corporations.

The Canada Post Mandate Review was launched in November 1995. The independent review was chaired by George Radwanski, who examined financial and policy issues essential to the future of the Corporation. The intent was to ensure that Canadians receive the most efficient and cost-effective postal service. The Review report, containing detailed findings and a series of recommendations, was released in October 1996 by the Minister responsible for Canada Post, the Honourable Diane Marleau.

The Minister also announced some immediate actions, including to continue the moratorium on the closure of rural post offices, and for the Corporation to withdraw from the delivery of economy unaddressed admail. The Corporation has also been asked to examine the possibility of withdrawing from the delivery of premium unaddressed admail. At this time, there will be no increase in postal rates as recommended in the

report. The Minister also noted that further decisions on the future of Canada Post need to carefully assess the impact of the recommendations in the report.

Canada Post processed 11.8 billion pieces of mail in 1995-96 - an increase of nearly 190 million over the previous year. Consolidated revenue from operations reached $4.9 billion - an increase of $206 million over 1994-95.

The Corporation's consolidated net income was $28 million - a turnaround of $97 million over last year's loss of $69 million. This goal was achieved through reduced administration and management expenses, improved productivity, an increase in the basic letter rate, and competitive adjustments to rates for a number of commercial products.

Agriculture and Fisheries Sector

Three corporations comprise this sector - the Canadian Dairy Commission, The Canadian Wheat Board, and the Freshwater Fish Marketing Corporation.

The objectives of each of the corporations is to market their products, either dairy, wheat or fish, so that producers receive a fair return for their labour and investment.
Two of the three corporations operate without appropriations. The Canadian Dairy Commission received an appropriation of $224.7 million in 1994-95.

The Wheat Board and the Dairy Commission continued to implement modifications as a result of changes brought about by both the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) Agreement on Agriculture. For the Dairy Commission, these agreements required a reworking of the marketing arrangements for milk across Canada. A major element of the WTO Agreement was that, as of August 1, 1995, Canada could not export dairy products to the U.S. where the export of the product had been supported by producer levies.

As a result, during 1994-95, the Dairy Commission acted as a key facilitator for various forums dealing with dairy policy and the changes necessary to operate in the new trading environment.

In July 1995, changes were made to the *Canadian Dairy Commission Act* to allow the Commission to work with provincial authorities in administering the new special milk class permit system and national pooling arrangements on behalf of the industry. The new systems were implemented on August 1, 1995, and all nine milk-producing provinces began pooling revenues from special milk classes.

During the course of 1994-95 The Canadian Wheat Board made changes to its policies and procedures to adjust when the *Western Grain Transportation Act* was repealed on August 1, 1995.

The Wheat Board is looking at implementing a number of changes. The Wheat Board has asked for authority to pay performance bonuses to producers out of relevant pool accounts as an incentive for full completion of contracts. The Wheat Board has also asked the government for the ability to pay farmers' storage and interest charges and allow final payments to be made earlier than January 1.

In July 1995 the Western Grain Marketing Panel was created to examine western grain marketing issues. Its

Canada Post showed significant improvement in net income, moving from a $68.9 million loss in 1994-95 to a $28.2 million profit in 1995-96.

Canada Lands Company was revitalized in 1995 to handle the orderly disposal of the expected surplus federal properties arising from both restructuring and Program Review.

report was submitted to the Minister of Agriculture and Agri-food in July 1996.

Development and Construction Sector

There were four corporations in the sector in 1995-96 - Canada Lands Company Limited, Defence Construction (1951) Limited, Old Port of Montreal Corporation Inc., and Queens Quay West Land Corporation. The Old Port of Montreal is a wholly-owned subsidiary of the Canada Lands Company Limited but was directed to report as a parent Crown corporation pursuant to the *Financial Administration Act.* The National Capital Commission was moved from the development and construction to the cultural sector this year.

In 1995-96 the sector had 619 employees. Except for the Canada Lands Company, budgetary appropriations totalling $27.9 million went to the other three corporations in the sector. For comparison purposes, excluding the NCC, in 1994-95 the sector comprised 285 employees and its budgetary appropriations totalled $30.9 million. The employment increase can be attributed to the revitalization of the Canada Lands Company which now has 340 employees. Appropriations to Defence Construction and Queens Quay West Land dropped by $1.2 million, or 7 percent, and by $2.3 million, or 23 percent, respectively. Appropriations to the Old Port of Montreal increased from $3.0 million to $3.5 million.

The Queen's Quay West Land Corporation was expected to be dissolved by January 31, 1996, at which time the remaining assets and liabilities were to be transferred to the Canada Lands Company Limited. A facilitator has been appointed to review alternate sources of funding for the Harbourfront Centre. Consequently, the dissolution has been delayed until the facilitator reports.

Defence Construction is undertaking a number of initiatives to accommodate downsizing and rationalization with the Canadian Forces. Defence Construction contracts for, and supervises, major construction and maintenance projects for the Department of National Defence (DND). Changes in DND's role mean that a long-term decline in traditional work volumes is anticipated. To offset this decline, Defence Construction is offering services in areas adjacent to its traditional working arrangements. These include DND facilities management work undertaken in conjunction with Public Works and Government Services, energy management contracting, and contracting and management support for the Canadian Forces Housing Agency.

Canada Lands Company was revitalized in 1995 to handle the orderly disposal of the expected surplus federal properties arising from both restructuring and Program Review. In addition, as part of the commercialization of CN, Canada Lands acquired the CN Tower, as well as the non-operating real estate assets of CN.

Government Services Sector

This sector comprises five corporations: the Bank of Canada, the Canada Development Investment Corporation, the Canadian Commercial Corporation, the Royal Canadian Mint and the Standards Council of Canada.

Total employment for the sector is 2,677 - a decrease of 109 employees from 1994-95. The Bank of Canada has the largest number of employees - 1,968 - of the corporations in the sector.
Given the unique nature of its operations,

The government services sector's net income improved significantly in 1995-96.

the Bank of Canada's data is excluded from financial comparison with the other corporations in the sector.

The sector's net income improved significantly in 1995-96. Net income rose to $23 million in 1995-96 from a $23.6 million loss in 1994-95. This improvement primarily can be attributed to the Canada Development Investment Corporation (CDIC) which recorded net income of $25.7 million in 1995-96 while showing a $21.8 million loss in 1994-95. The improvement was partially offset by the Canadian Commercial Corporation whose net income decreased from $1.3 million in 1994-95 to a loss of $1.7 million in 1995-96.

Over the course of 1995, Canada Eldor Inc., a subsidiary of the Canada Development Investment Corporation, sold its remaining shares in Cameco Corporation. The net proceeds from the sale were $88.6 million. CDIC's net income reflects a gain on the sale of Cameco shares of $24.1 million. Also, CDIC wound up the operations of Cartierville Financial Corporation Inc.

In contrast to profits in previous years, the Royal Canadian Mint realized significant losses in the last two years. In 1995, the Mint adopted a Turn Around Plan which set out strategies and actions aimed at revenue generation, cost control, and overhead reduction.

Total assets, excluding the Bank of Canada, were $547.2 million in 1995-96 compared with $596.5 million in 1994-95. For the two corporations in the sector that receive them, Canadian Commercial Corporation and Standards Council of Canada, budgetary appropriations dropped $1.5 million - from $18.6 million in 1994-95 to $17.1 million in 1995-96.

Development and Research Sector

The International Development and Research Centre (IDRC) supports and conducts research into the problems of the developing regions of the world. IDRC celebrated its 25th anniversary in 1995. The Corporation's parliamentary grant decreased by $15.8 million or 14 percent, from $111.9 million in 1994-95 to $96.1 million in 1995-96. The Centre received some $19.6 million in external revenue - an increase of $3.3 million from last year. In 1995-96 IDRC funded a total of $77.9 million in development research.

Other Corporate Interests

The Government of Canada has interests in corporations or organizations other than Crown corporations. These interests encompass corporations with share capital owned jointly by Canada through share ownership or board membership with other organizations or other governments. For corporations without share capital, for example, non-profit corporations, the government may have a legal right to appoint or approve the appointment of some or all members to the board of directors. And in organizations formed pursuant to an international agreement, the government may have a right to appoint or approve the appointment of some members to the governing body.

In 1995-96, significant developments occurred in the following entities. Further information can be found in the Other Corporate Interests section of the Report.

Petro-Canada

In 1995 the government reduced its holding in Petro-Canada from 173.3 million shares to 49.4 million shares, or about 20 percent of the company at the time of the sale.

In April 1996, Petro-Canada announced that it had executed an agreement with Amerada Hess Corporation to acquire all of the shares of Amerada Hess Canada Ltd. for $731 million. Through the acquisition, Petro-Canada acquired natural gas and liquid reserves, which at year-end 1995 were 592 billion cubic feet and 51 million barrels.

Petro-Canada filed a prospectus in Canada and a registration statement in the U.S. to offer common shares of the company. Gross proceeds from the offering were expected to total approximately $400 million. The net proceeds of the offering would be used in the financing of the acquisition of Amerada Hess Canada Ltd. This offering had the effect of reducing the government's holding to about 18.3 percent of the shares outstanding.

On the East Coast, Petro-Canada is a member involved in a major growth project of the Hibernia development consortium. The Hibernia oil field, off Newfoundland, is expected to be in production in late 1997.

Petro-Canada, along with the other project participants, filed a development plan application in the spring of 1996 for a second East Coast growth project, Terra Nova.

Canada Hibernia Holding Corporation

Canada Hibernia Holding Corporation (CHHC) is a wholly-owned subsidiary of the Canada Development Investment Corporation. CHHC manages the government's 8.5 percent interest in the Hibernia project. CHHC manages the government's interest in the Hibernia Development Project and shares of Hibernia Management and Development Company Ltd. on a commercial basis. Canada Development Investment Corporation does not foresee the sale of its interest in Hibernia in the short term.

Theratronics International Limited

Theratronics International Limited, based in Kanata, Ontario is a manufacturer of cancer treatment and advanced computerized treatment planning systems. The company is a wholly-owned subsidiary of the Canada Development Investment Corporation. The 1996 Budget announced that Theratronics International Limited will be sold when the Company's operations warrant.

CHHC manages the government's interest in the Hibernia Development Project and shares of Hibernia Management and Development Company Ltd. on a commercial basis.

National Sea Products Limited

National Sea Products Limited of Lunenburg, Nova Scotia, is one of Canada's largest producers of fish and seafood products. The 1996 Budget announced that the government's 10.65 percent shareholding in National Sea Products Limited will be sold subject to consultations with the company and market conditions.

Canarctic Shipping Company Limited

Canarctic Shipping was a mixed enterprise, 51 percent owned by the federal government and 49 percent owned by Federal Navigation Limited. The Company owns and operates its only asset, the M.V. *Arctic*, a double-hulled ice breaking cargo vessel. Canarctic Shipping was intended to be self-sufficient but has never achieved this goal. The government has subsidized Canarctic's operations since 1978.

As part of Program Review, and the government's proposed changes to marine policy, the feasibility of divesting the government's shares was examined. In November 1996, the government divested its interest in Canarctic Shipping.

Government Agreement with Nordion

In July 1996 an out-of-court settlement was reached. The settlement stipulates that two new isotope production reactors and related processing facilities will be owned by Nordion and operated by Atomic Energy of Canada at Chalk River, Ontario. The two reactors will provide a secure supply of medical isotopes.

Exhibit 9

EMPLOYMENT AND FINANCIAL POSITIONS

(as of year-ends on or before July 31, 1996; $ millions)

	Financial Position				
Corporation by Sector	Total Assets	Current Liabilities	Long-term Liabilities	Equity	Employment
Canadian Dairy Commission	189.3	118.1	71.2	0.0	57
Canadian Wheat Board	8,043.3	1,548.6	6,494.8	0.0	452
Freshwater Fish Marketing Corporation	20.6	16.4	0.0	4.2	33
Total Agriculture and Fisheries Sector	**8,253.3**	**1,683.1**	**6,566.0**	**4.2**	**542**
Canada Council	168.2	37.3	0.0	186.4	161
Canadian Broadcasting Corporation	1,696.7	396.8	619.7	680.2	8,181
Canadian Film Development Corporation	47.8	11.3	0.9	35.6	148
Canadian Museum of Civilization	30.6	10.9	2.2	17.6	534
Canadian Museum of Nature	20.5	12.2	2.7	5.6	216
National Arts Centre Corporation	19.4	8.2	0.9	10.4	262
National Capital Commission	407.2	37.7	14.2	355.2	502
National Gallery of Canada	19.7	5.1	4.1	10.5	276
National Museum of Science and Technology	11.0	2.4	1.5	7.1	220
Total Cultural Sector	**2,421.1**	**521.9**	**646.1**	**1,308.6**	**10,500**
Canada Lands Company Limited	394.9	31.6	113.2	250.1	340
Canada Lands (Vieux Port de Québec) Inc.[1]	0.5	0.3	0.0	0.2	0
Canada Museums Construction Corporation Inc.[1]	0.0	0.9	0.0	(0.9)	0
Defence Construction (1951) Limited	3.6	2.4	1.5	(0.3)	207
Old Port of Montreal Corporation Inc.[2]	2.1	1.8	0.3	0.0	72
Queens Quay West Land Corporation	5.8	2.6	45.8	(42.5)	0
Total Development and Construction Sector	**407.0**	**39.5**	**160.8**	**206.7**	**619**
Atomic Energy of Canada Limited	993.1	211.1	317.9	464.2	3,881
Cape Breton Development Corporation	259.5	69.6	124.9	65.0	2,091
Petro-Canada Limited	524.0	109.0	413.0	2.0	0
Total Energy and Resources Sector	**1,776.6**	**389.6**	**855.9**	**531.2**	**5,972**
Business Development Bank of Canada	3,603.4	1,215.3	2,017.8	370.3	1,014
Canada Deposit Insurance Corporation	1,208.9	900.4	1,609.4	(1,301.0)	86
Enterprise Cape Breton Corporation	4.5	2.7	1.4	0.4	50
Export Development Corporation	9,428.0	2,685.0	5,570.0	1,173.0	557
Farm Credit Corporation	4,371.4	1,002.0	2,949.6	419.8	772
Total Financial Intermediaries Sector	**18,616.2**	**5,805.4**	**12,148.3**	**662.5**	**2,479**

1. Four wholly-owned subsiadiaries have been added to the table because their financial affairs are not consolidated with their parent Crown corporation.

2. The Old Port of Montreal Corporation Inc. which is a wholly-owned subsidiary of the Canada Lands Company Limited, has been directed to report as a parent Crown corporation.

Exhibit 9

EMPLOYMENT AND FINANCIAL POSITIONS

(as of year-ends on or before July 31, 1996; $ millions)

Corporation by Sector	Financial Position: Total Assets	Current Liabilities	Long-term Liabilities	Equity	Employment
Bank of Canada[3]	-	-	-	-	1,968
Canada Development Investment Corporation	140.3	26.3	0.0	114.0	3
Canadian Commercial Corporation	312.8	295.2	1.0	16.6	84
Royal Canadian Mint	90.7	25.5	5.9	59.3	550
Standards Council of Canada	3.4	1.1	0.1	2.2	72
Total Government Services Sector	**547.2**	**348.1**	**7.0**	**192.1**	**2,677**
Canada Mortgage and Housing Corporation					2,824
Administered Funds	2,317.8	26.1	2,247.7	44.0	
Corporate Account	13,849.4	1,633.4	12,180.9	35.1	
Minister's Account	0.0	0.0	0.0	0.0	
Total Housing Sector	**16,167.3**	**1,659.5**	**14,428.6**	**79.1**	**2,824**
Canada Post Corporation	2,515.4	792.4	696.7	1,026.2	44,107
Total Postal Services Sector	**2,515.4**	**792.4**	**696.7**	**1,026.2**	**44,107**
Atlantic Pilotage Authority	1.8	0.7	0.7	0.5	70
Canada Ports Corporation	264.7	19.7	241.8	3.2	244
Canadian National Railway Company[4]	**6,198.0**	**1,603.0**	**2,289.0**	**2,306.0**	**26,951**
Great Lakes Pilotage Authority, Limited	8.3	2.9	2.4	3.0	81
Halifax Port Corporation	69.4	3.3	0.7	65.4	63
Laurentian Pilotage Authority	10.6	7.7	2.5	0.5	222
Marine Atlantic Inc.	352.4	31.1	333.6	(12.3)	2,019
Montreal Port Corporation	243.8	14.2	7.7	221.9	349
Pacific Pilotage Authority	5.6	2.8	0.6	2.2	170
Port of Quebec Corporation	61.6	2.3	7.0	52.3	73
Prince Rupert Port Corporation	111.7	1.9	14.8	95.0	17
Saint John Port Corporation	64.1	2.0	38.2	23.9	36
St. John's Port Corporation	16.8	0.5	0.2	16.1	13
St. Lawrence Seaway Authority, The	601.7	12.8	13.6	575.2	730
Jacques Cartier & Champlain Bridges Inc.[1]	16.7	2.8	0.4	13.5	36
Seaway International Bridge Corp. Ltd.[1]	2.6	0.7	1.8	0.0	20
Vancouver Port Corporation	447.6	37.3	45.5	364.8	150
VIA Rail Canada Inc.	783.4	111.1	31.8	640.5	3,178
Total Transport Sector (EXCLUDING CN)	**3,062.7**	**253.9**	**743.3**	**2,065.6**	**7,471**
International Development Research Centre	46.3	22.5	3.2	20.5	423
Development and Research Sector	**46.3**	**22.5**	**3.2**	**20.5**	**423**
Grand Total	**53,813.1**	**11,516.1**	**36,255.8**	**6,096.7**	**77,614**

3. Financial data for the Bank of Canada are excluded from the table due to the unique nature of its operations. The corresponding data are available in the Corporation's corporate abstract.

4. CN was privatized in November 1995. Financial data are presented for information and comparative purposes only.

Exhibit 10

OPERATING RESULTS AND FINANCING

(as of year-ends on or before July 31, 1996; $ millions)

	Operating Results		Financing		
			Changes to Net Borrowings		
Corporation by Sector	Net Income	Cash Flow	Private Sector	Canada	Budgetary Appropriations
Canadian Dairy Commission	33.3	n/a	11.5	1.2	224.7
Canadian Wheat Board, The	515.9	n/a	(633.4)	0.0	0.0
Freshwater Fish Marketing Corporation	0.0	1.2	3.3	(1.0)	0.0
Total Agriculture and Fisheries Sector	**549.2**	**1.2**	**(618.6)**	**0.2**	**224.7**
Canada Council	12.0	12.8	0.0	0.0	95.9
Canadian Broadcasting Corporation	(159.8)	30.4	(21.7)	0.0	1,170.7
Canadian Film Development Corporation	(112.1)	(110.6)	0.0	0.0	109.0
Canadian Museum of Civilization	(44.2)	(41.4)	0.0	0.0	46.2
Canadian Museum of Nature	(25.1)	(27.1)	0.0	0.0	27.0
National Arts Centre Corporation	(20.4)	(17.8)	0.3	0.0	15.6
National Capital Commission	10.5	8.6	0.0	0.0	90.6
National Gallery of Canada	(31.8)	(30.6)	0.0	0.0	34.4
National Museum of Science and Technology	(19.0)	(18.0)	0.0	0.0	20.8
Total Cultural Sector	**(390.0)**	**(193.6)**	**(21.4)**	**0.0**	**1,610.1**
Canada Lands Company Ltd.	0.5	26.0	63.5	0.9	0.0
Canada Lands (Vieux Port de Québec) Inc.[1]	0.0	0.0	0.0	0.0	0.0
Canada Museums Construction Corporation Inc.[1]	(1.7)	0.0	0.0	0.0	0.0
Defence Construction (1951) Ltd.	(0.1)	0.9	0.0	0.0	16.9
Old Port of Montreal Corporation Inc.[2]	(2.3)	(2.6)	0.0	0.0	3.5
Queens Quay West Land Corporation	(2.6)	(2.6)	0.0	0.0	7.5
Total Development and Construction Sector	**(6.3)**	**21.7**	**63.5**	**0.9**	**27.9**
Atomic Energy of Canada Ltd.	(9.9)	19.8	(2.8)	(0.9)	174.6
Cape Breton Development Corporation	(207.4)	11.0	0.0	10.0	0.0
Petro-Canada Limited	1.0	1.0	(26.0)	0.0	0.0
Total Energy and Resources Sector	**(216.3)**	**31.8**	**(28.8)**	**9.1**	**174.6**
Business Development Bank of Canada	31.6	101.7	349.0	0.0	14.1
Canada Deposit Insurance Corporation	446.2	413.5	0.0	(534.3)	0.0
Enterprise Cape Breton Corporation	(14.5)	(14.3)	0.0	0.0	15.0
Export Development Corporation	44.0	423.0	(58.0)	0.0	0.0
Farm Credit Corporation	40.4	13.1	460.6	(136.1)	0.0
Total Financial Intermediaries Sector	**547.6**	**937.1**	**751.6**	**(670.4)**	**29.1**

1. Four wholly-owned subsidiaries have been added to the table because their financial affairs are not consolidated with their parent Crown corporation.
2. The Old Port of Montreal is a wholly-owned subsidiary of the Canada Lands Company which has been directed to report as a parent Crown corporation.

Exhibit 10

OPERATING RESULTS AND FINANCING

(as of year ends on or before July 31, 1996; $ millions)

	Operating Results		Financing		
			Changes to Net Borrowings		
Corporation by Sector	Net Income	Cash Flow	Private Sector	Canada	Budgetary Appropriations
Bank of Canada[3]	-	-	-	-	-
Canada Development Investment Corporation	25.7	2.3	0.0	0.0	0.0
Canadian Commercial Corporation	(1.7)	(1.7)	0.0	0.0	11.8
Royal Canadian Mint	(1.3)	1.7	6.4	(2.7)	0.0
Standards Council of Canada	0.2	0.4	0.0	0.0	5.3
Total Government Services Sector	**23.0**	**2.7**	**6.4**	**(2.7)**	**17.1**
Canada Mortgage and Housing Corporation	-	-	-	-	-
Administered Funds	92.8	207.4	0.0	13.3	0.0
Corporate Account	(8.6)	(6.8)	2,555.1	(459.5)	0.0
Minister's Account	0.0	0.0	0.0	0.0	1,952.5
Total Housing Sector	**84.2**	**200.6**	**2,555.1**	**(446.2)**	**1,952.5**
Canada Post Corporation	28.2	277.6	0.0	0.0	14.0
Total Postal Services Sector	**28.2**	**277.6**	**0.0**	**0.0**	**14.0**
Atlantic Pilotage Authority	0.1	0.2	(0.1)	0.0	0.0
Canada Ports Corporation	9.8	13.8	(6.1)	(0.1)	0.0
Canadian National Railway Company[4]	**(1,085.0)**	**558.0**	**(731.0)**	**(81.0)**	**0.0**
Great Lakes Pilotage Authority, Limited	1.3	1.5	0.0	0.0	0.0
Halifax Port Corporation	1.8	4.3	0.0	0.0	0.0
Laurentian Pilotage Authority	(4.2)	(4.1)	1.4	0.0	4.5
Marine Atlantic Inc.	0.9	(2.8)	0.0	0.0	97.1
Montreal Port Corporation	9.3	20.7	0.0	(0.6)	0.0
Pacific Pilotage Authority	(1.1)	(0.9)	(0.0)	0.0	0.0
Port of Quebec Corporation	0.0	3.0	0.0	0.0	0.0
Prince Rupert Port Corporation	0.7	3.0	0.0	(0.4)	0.0
Saint John Port Corporation	0.2	1.8	0.0	0.0	0.0
St. John's Port Corporation	0.4	1.3	0.0	0.0	0.0
St. Lawrence Seaway Authority, The	4.6	19.1	0.0	0.0	0.0
Jacques Cartier & Champlain Bridges Inc.[1]	(29.6)	(28.4)	0.0	0.0	28.5
Seaway International Bridge Corp. Ltd.[1]	0.0	0.8	(0.3)	0.0	0.0
Vancouver Port Corporation	12.1	25.3	44.2	(0.3)	0.0
VIA Rail Canada Inc.	(26.1)	12.4	0.0	0.0	295.4
Total Transport Sector (EXCLUDING CN)	**(19.9)**	**71.1**	**39.1**	**(1.4)**	**425.5**
International Development Research Centre	(5.5)	0.1	0.0	0.0	96.1
Development and Research Sector	**(5.5)**	**0.1**	**0.0**	**0.0**	**96.1**
Grand Total	**594.1**	**1,350.2**	**2,747.0**	**(1,110.4)**	**4,571.7**

3. Financial data for the Bank of Canada is excluded from the table due to the unique nature of its operations. The corresponding data is available in the Corporation's corporate abstract.

4. CN was privatized in November 1995. Financial data are presented for information and comparative purposes only.

Corporate Abstracts

INTRODUCTION

This section of the Annual Report provides information intended to assist readers in understanding the public policy mandate, the historical background, the major issues, and the performance and condition of each Crown corporation. Readers wishing to obtain further information about a particular corporation and its activities should contact the corporation at the address or telephone number provided.

Description of the Corporate Abstracts

Each corporate abstract contains the following information:

Mandate and Background

The broad policy objectives that guide the direction of the corporation and underlie its creation and continued existence are described.

Corporate Profile

A brief description of the structure and main activities of each corporation is provided.

Corporate Highlights

Standard information on the corporation's performance is presented. Information has been obtained from the corporation's annual report and corporate plan summary.

Reference Sources

The key individuals responsible for the management and accountability of the corporation, including the appropriate minister, the chairperson of the board of directors, the chief executive officer, and the external auditors are identified. The head office address is provided. It also shows how the corporation was incorporated and its current agency status. Agency status refers to a corporation created by or on behalf of the Crown and acting for a public purpose, that attracts the same immunities, privileges and prerogatives as enjoyed by the Crown, that could bind the Crown by its acts and for which the Crown may be liable and which is accountable to a responsible minister.

Financial Summary

This table provides five years of comparative financial information showing the corporation's financial position, its operational performance and the funding received from, and payments to, Canada. In addition, it presents a five-year employment history. The glossary of terms used is provided on the next page.

GLOSSARY OF FINANCIAL TERMS

Financial Position:

Total Assets: represents all assets reported by the corporation in its audited financial statements.

Loans from Private Sector: short-term borrowings, long-term borrowings, capital leases plus any other debt-like instruments. For the marketing boards (Canadian Dairy Commission, The Canadian Wheat Board, and Freshwater Fish Marketing Corporation), loans may include payments accruing to farmers, dairy producers and fishers.

Loans from Canada: short-term borrowings, long-term borrowings, advances from the Government of Canada for working capital or other purposes, and other debt-like instruments.

Shareholder's Equity: represents the equity of Canada. For some corporations, the excess of assets over liabilities is not deemed to be equity of Canada because of the nature of their operations (i.e. marketing boards).

Operations:

Revenues: includes revenues from all sources generated by the corporation. The amount includes income from commercial activities and interest income. It would also include income such as gain on sale of assets, and parliamentary appropriations where these are specifically included in revenues by the corporation.

Net Income (Loss): represents the after tax income, where applicable, and any extraordinary items. It includes parliamentary appropriations where the corporations have included these in the computation of net income (loss). In some cases, net income (loss) is the "excess of parliamentary appropriations over cost of operations" or "excess of proceeds over expenditures."

Cash Flow: represents net income (loss) from operations plus or minus non-cash charges (or credits) to operations, for example, depreciation, amortization, gain on disposal of assets, write down of properties, etc. Cash flow does not include changes in working capital items. It does include parliamentary appropriations where the corporation includes these in the computation of net income.

Funding From Canada:

Budgetary (operating and capital expenditures): are parliamentary appropriations for capital and operating purposes. The amounts exclude grants and contributions paid to Crown corporations where they qualify as members of a general class of recipients. Budgetary appropriations increase the expenditures of Canada and thus have a direct impact on the amount of the government's surplus or deficit.

Non-Budgetary (loans and investments): represents loans and ownership interests (i.e. contributed capital or share capital) invested by the Government of Canada during the year. These loans and investments do not have an impact on the government's expenditures as they are recorded as assets of Canada. At the end of the fiscal year (March 31), a general provision for valuation is taken in the accounts of Canada on the entire stock of loans and investments to reflect estimated realizable value.

Payments To Canada:

Loan Repayments: payments made during the year by the corporation to the Government of Canada on loans outstanding.

Dividends: are dividends declared by the corporation during the fiscal year of the corporation. This figure includes cash recoveries by Canada (where applicable), and other types of payments or contributions made to Canada. Dividends may be paid by the corporation to the Government of Canada before or after the corporation's year-end.

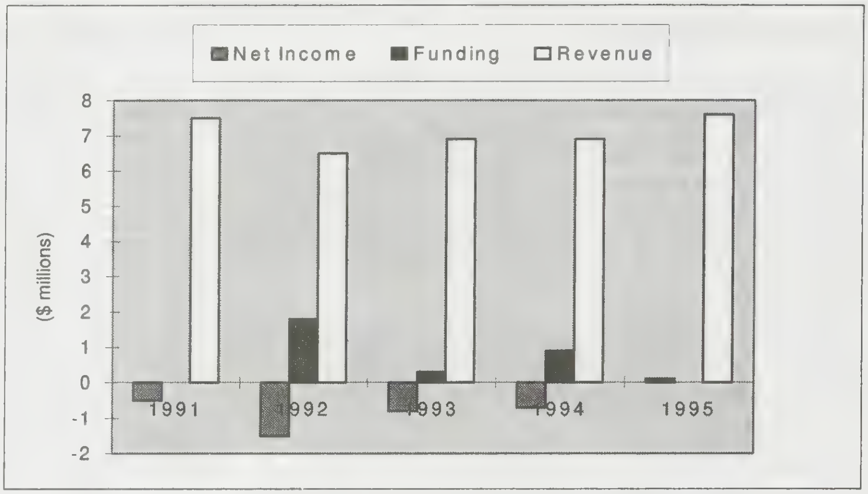
Employment:

Presents the number of full-time employees obtained from sources such as an annual report, financial statements or a corporate plan and are as at the fiscal year-end of the Crown corporation. The data includes the parent corporation and its wholly-owned subsidiaries; full-time staff, and employees outside of Canada. The exceptions are: data for the **Canada Development Investment Corporation** which relate to the parent corporation only; and data for the four **Pilotage Authorities** which include contract pilots.

ATLANTIC PILOTAGE AUTHORITY

Mandate and Background

The Atlantic Pilotage Authority is mandated to operate, maintain and administer a safe and efficient pilotage service within designated waters in and around the Atlantic provinces.



Source: Atlantic Pilotage Authority Annual Report 1995.

Corporate Profile

The Authority, with the approval of the Governor in Council, makes regulations that prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

Corporate Highlights

The Authority achieved its 1995 objective of financial self-sufficiency, ending the fiscal year with a small profit. In Nova Scotia, the Authority's Halifax operation experienced a profit for the first time in four years.

As shown in the exhibit, the total revenue for 1995 increased by 11 percent, while the total expenses decreased by 0.67 percent. The increase in total revenue was largely due to an increase in the size of ships (giving a 10 percent increase in pilotage billing units) or an increase in activity. Overall, traffic increased marginally in all areas in 1995.

In 1995, the Minister of Transport outlined the government's vision of a new National Marine Policy covering all sectors. The Authority was required to thoroughly review the designated compulsory pilotage areas, licencing and certification standards for pilots, ship masters and officers, exemption criteria for vessels, the need for fair and realistic mechanisms for selecting rates and the absolute requirement to reduce costs.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be commercialized and managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Authority.

ATLANTIC PILOTAGE AUTHORITY

Chairperson and Chief Executive Officer	R. Anthony McGuinness
Head Office	Suite 1402, Tower 1 Purdy's Wharf 1959 Upper Water Street Halifax, Nova Scotia, B3J 3N2 (902) 426-2550 Facsimile: (902) 426-4004
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	1.8	1.8	1.8	2.4	2.1
Loans from Private Sector	0.0	0.1	0.2	0.3	0.6
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.5	0.4	0.2	0.7	0.4
Operations					
Revenues	7.6	6.9	6.9	6.5	7.5
Net Income	0.1	(0.7)	(0.8)	(1.5)	(0.5)
Cash Flow	0.2	(0.5)	(0.6)	(1.2)	(0.3)
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.9	0.3	1.8	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.1
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	70	77	77	75	74

ATOMIC ENERGY OF CANADA LIMITED

Mandate and Background

Atomic Energy of Canada Limited (AECL) was established in 1952, to undertake research into atomic energy, as well as prepare and develop its commercial applications.

AECL operates research and development laboratories at Chalk River, Ontario and at Pinawa, Manitoba, as well as business, engineering, and design offices in Ottawa, Toronto, Montreal, Saskatoon and Fredericton.

Corporate Profile

AECL develops, markets and manages the construction of CANDU power reactors and MAPLE research reactors. The CANDU reactor supplies one fifth of Canada's electricity and is an important component of the energy programs in five other countries.

AECL is a leading supplier of full-scope nuclear power capabilities, giving it the capacity, in partnership with Canadian and international partners, to capture a substantial share of emerging global nuclear power market with a competitive and superior product.

Corporate Highlights

Fiscal year 1995-96 marks the 50th anniversary of the first atomic fission achieved in Canada and the 25th anniversary of the first CANDU-generated commercial electricity from the Pickering reactors.

As a result of a more focused and integrated management structure, in 1996 the Corporation's income from operations rose to $19.1 million compared to $3.3 million in fiscal 1995, as shown in the exhibit. Revenue decreased in fiscal 1996 to $573.0 million compared with $635.7 million in 1995. This is a reflection of the completion phase of the overseas projects in Romania and Korea.

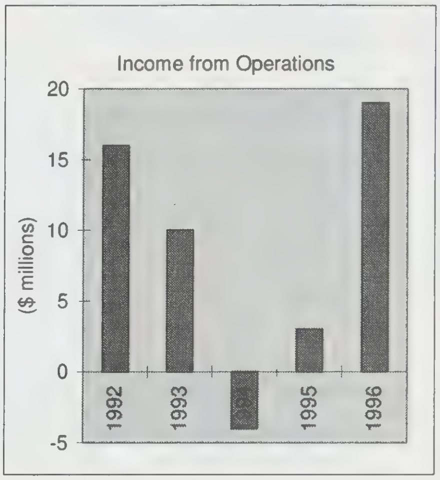
In 1996, the Corporation reported a loss of $9.9 million compared with a net income of $7.2 million in 1995.

During the year, AECL's work on the Republic of Korea's Wolsong units 2, 3 and 4 progressed. The overall Wolsong project, which is managed by the Korea Electric Power Corporation was 70 percent complete.

South Korea's HANARO research reactor, which had its first year of operation, is the first operating reactor of the MAPLE family.

The nuclear fuel waste disposal concept developed by AECL in partnership with Ontario Hydro is being reviewed by a panel under the Federal Assessment and Review Process.

In Romania, the latest nuclear power unit, the Cernavoda Unit 1, started up in April 1996, becoming the first western designed nuclear station operating in Eastern Europe and the first CANDU in all of Europe. AECL Technologies B.V., incorporated in the Netherlands in April 1995, serves as AECL's window on nuclear activities in Europe.



Source: AECL Annual Report 1995-96.

ATOMIC ENERGY OF CANADA LIMITED

Chairperson	Robert F. Nixon
President and Chief Executive Officer	Reid Morden
Head Office	Minto Place 18th Floor 344 Slater Street Ottawa, Ontario, K1A 0S4 (613) 237-3270 Facsimile: (613) 563-9499 Web Site: http://www.aecl.ca/
Incorporation and Status	February 14, 1952 under Part I of *Canada Corporations Act*; continued July 8, 1977 under the certificate amended July 15, 1982 *Canada Business Corporations Act*; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Anne McLellan, P.C., M.P. Minister of Natural Resources
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	993.1	878.2	848.4	1,321.8	1,286.8
Loans from Private Sector	5.8	8.6	11.0	13.3	15.4
Loans from Canada	13.5	14.4	15.7	446.1	477.2
Shareholder's Equity	464.2	474.1	466.9	605.7	599.6
Operations					
Revenues	573.0	635.7	645.2	645.2	560.5
Net Income	(9.9)	7.2	(138.7)	10.1	2.0
Cash Flow	19.8	5.2	(0.7)	21.6	18.2
Funding from Canada					
Budgetary (operating and capital expenditures)	174.6	180.0	173.5	180.3	176.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.9	1.4	430.3	31.1	35.0
Dividends	0.0	0.0	0.0	0.0	153.2
Employment	3,881	3,943	4,287	4,431	4,503

BANK OF CANADA

Mandate and Background

The Bank of Canada was created in 1934 as Canada's central bank. It is responsible for the formulation and implementation of monetary policy in Canada and acts as the government's fiscal agent. The Bank has the sole right to issue paper currency for circulation in Canada.

Corporate Profile

The Bank's primary function is to formulate and implement monetary policy. Monetary policy manages the rate of monetary expansion in a way that maintains stability in the general price levels.

The Bank is responsible for issuing bank notes in Canada. The Bank is responsible for operating deposit accounts for major financial institutions and for the government. The Bank also manages the government's foreign exchange reserves and carries out a variety of activities aimed at enhancing the efficiency and stability of the Canadian financial system. The Bank advises the government on matters relating to the public debt, provides support services to the Canada Investment and Savings Agency (previously known as the Canada Retail Debt Agency), maintains bondholder registers, and makes payments on behalf of the government for debt redemption and interest. It also cashes and negotiates cheques drawn on the Receiver General.

Corporate Highlights

The Bank of Canada's two main responsibilities with respect to money are: to protect its value from being eroded by inflation; and to provide one of the major forms of money - bank notes. Overall, the Bank's primary responsibilities, as defined in the *Bank of Canada Act*, can be grouped into four categories. The categories are:

- monetary policy;
- central banking services;
- bank notes; and
- debt management services.

The Bank continues to place utmost importance on maintaining a low level of inflation. A low level of inflation is seen as an important contributor to providing Canadians with a rising standard of living. In 1995, the Bank kept inflation within the target range of 1 to 3 percent. So that Canadians may better understand the Bank's monetary policy, the Bank has begun issuing semi-annual Monetary Policy Reports and continues to emphasize its outreach program. This program brings senior bank officials into regular contact with various stakeholders.

The production of bank notes constitutes the largest portion of the Bank's expenses. In 1995, the Bank spent $80 million on the production of bank notes, 21 percent less than in 1994. The bank stopped issuing $2 notes in February 1996 as a result of the new $2 coin. In anticipation of the release of the $2 coins, the Bank had reduced production of $2 notes in 1995 keeping its bank note issue expenses down.

1995 also saw the establishment of the Canada Investment and Saving Agency (formerly the Canada Retail Debt Agency). This meant a reduction in responsibilities for the Bank in regards to Canada Savings Bonds and the pursuit of new government retail products. However, the Bank is still involved in administration and other services related to retail debt by acting as an agent for Canada Investment and Savings.

The Bank is involved in a workforce adjustment program. The first phase of the program will result in about 375 employees leaving the Bank in 1996, through early retirement and voluntary departure. Over the next three years the Bank plans on reducing 500 positions. The workforce adjustment program cost the Bank $33 million in 1995.

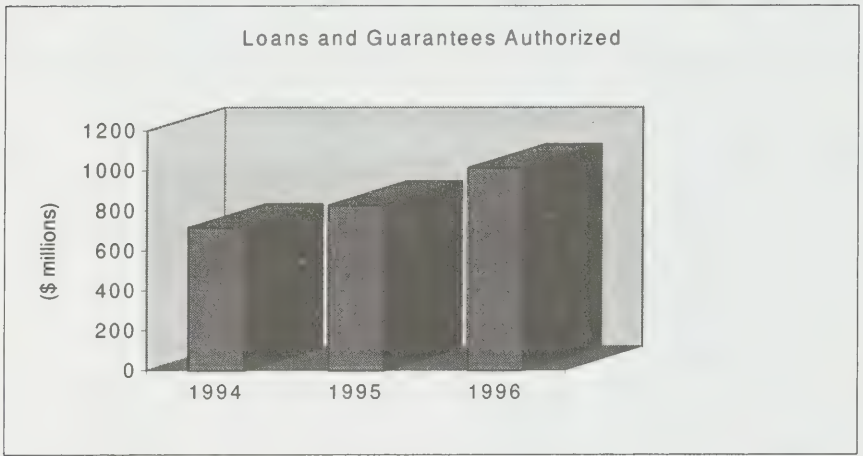
BANK OF CANADA

Governor	Gordon G. Thiessen
Head Office	234 Wellington Street Ottawa, Ontario, K1A 0G9 (613) 782-8111 Facsimile: (613) 782-8655 Web Site: http://www.bank-banque-canada.ca
Incorporation and Status	1934, by the *Bank of Canada Act* (R.S.C. 1985, c. B-2); Acts as the fiscal agent of the Government of Canada; is exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act.*
Appropriate Minister	The Honourable Paul Martin, P.C., M.P. Minister of Finance
Auditor	Raymond, Chabot, Martin, Paré and Coopers and Lybrand

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	30,200.6	30,049.7	29,045.1	27,441.6	27,045.1
Liabilities:					
Deposits	1,164.5	1,286.0	1,602.0	1,739.0	2,332.0
Notes in Circulation	28,777.7	28,328.7	27,236.7	25,609.0	24,481.0
Other	228.4	405.0	176.0	64.0	202.0
Shareholder's Equity	30.0	30.0	30.0	30.0	30.0
Operations					
Revenues	2,037.0	1,704.9	1,757.6	2,007.5	2,324.4
Expenses	187.8	209.2	205.7	201.6	205.6
Net Revenue - Paid to Canada	1,816.2	1,496.0	1,552.0	1,806.0	2,119.0
Employment	1,968	2,066	2,083	2,128	2,193

BUSINESS DEVELOPMENT BANK OF CANADA



Source: Business Development Bank of Canada Annual Report 1996

Mandate and Background

The Business Development Bank of Canada (BDC) has a mandate to promote and assist in the establishment and development of business enterprises in Canada, especially small and medium-sized businesses, by providing a wide range of financial and management services.

In July 1995, Parliament approved the new *Business Development Bank of Canada Act*, expanding the mandate of the Bank, enabling it to more effectively respond to the needs of Canada's small and medium-sized businesses.

Corporate Profile

The Bank provides financial assistance to Canadian firms by acting as a complementary lender and a source for equity financing. The Bank offers financial services, venture capital and management support services.

Corporate Highlights

The new Act significantly increased BDC's $3.2 billion lending ceiling. BDC was given a new capital structure to allow it to source new capital from both the public and private sectors.

BDC's role was redefined. The Bank is no longer Canada's "lender of last resort." It is now legislated to fulfill a role complementary to other commercial financial institutions. The Act redefined the Bank's rules of operation and mandate. BDC will be more visible as it continues to develop financial and management services for Canada's small businesses. BDC will increase its financing of small and medium-sized businesses operating in knowledge-based, growth-oriented industries and export markets. The Bank will increase its activity in smaller loans and investments.

The 1995-96 fiscal year was a success for the Corporation. The Bank's profits increased from $9.2 million in 1994-95 to $31.6 million, with a total loans portfolio of $3.4 billion. In November 1995, the Corporation approved a five-year corporate plan which will see the loans portfolio increase to at least $5 billion by 2001. Also, for the first time, the Bank issued $50 million in dividend-bearing preferred shares to the Government of Canada.

During this fiscal year, as shown in the exhibit, the Bank authorized loans and guarantees totalling more than $1 billion, an increase of 22.5 percent from 1994-95. This financing supported projects worth $1.8 billion.

In 1995-96, the Micro Business Program and Patient Capital financing were launched. The Micro Business Program provides financing capital and management counseling to newer smaller businesses. The Patient Capital provides quasi-equity financing and is aimed at knowledge-based businesses with high growth potential.

BDC introduced a comprehensive customer service initiative called TOTAL CARE (Customer Assistance Resolution Efficiency) which includes a Charter of Client Rights, a full-time Ombudsman, a complaint handling process and an independent mediation process.

BUSINESS DEVELOPMENT BANK OF CANADA

Chairperson	Patrick J. Lavelle
President and Chief Executive Officer	François Beaudoin
Head Office	BDC Building 5 Place Ville Marie Suite 400 Montreal, Quebec, H3B 5E7 (514) 283-5904 Facsimile: (514) 283-2304
Incorporation and Status	1974; by the *Federal Business Development Bank Act* (R.S.C. 1985, c. F-6) and continued by the *Business Development Bank of Canada Act* (S.C. 1995, chap. 28); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable John Manley, P.C., M.P. Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, and Minister of Western Economic Diversification, and Minister responsible for the Federal Office of Regional Development - Québec
Auditor	Raymond, Chabot, Martin, Paré and the Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	3,603.4	3,145.7	3,022.2	2,763.9	2,645.1
Loans from Private Sector	3,119.6	2,770.6	2,665.2	2,430.3	2,316.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	370.3	288.8	279.6	275.5	300.2
Operations					
Revenues	376.6	328.7	295.3	322.3	352.8
Net Income	31.6	9.2	4.1	(24.7)	(77.1)
Cash Flow	101.7	59.1	58.8	36.5	3.7
Funding from Canada					
Budgetary (operating and capital expenditures)	14.1	14.2	15.1	15.2	15.2
Non Budgetary (loans and investments)	50.0	0.0	0.0	0.0	9.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	1,014	967	954	989	1,057

CANADA COUNCIL

Mandate and Background

The Canada Council fosters and promotes the study, enjoyment and production of works in the arts.

Corporate Profile

The Council provides grants to artists and art organizations directly involved in the creation, production or distribution of the arts in Canada. In addition, the Canada Council administers the Art Bank and an Endowment Fund with a principal amount of $50 million, and other funds established through private donations. The Council also co-ordinates United Nations Educational, Scientific and Cultural Organization (UNESCO) activities in Canada, and Canadian participation in various UNESCO activities abroad.

Corporate Highlights

In March 1995, the Council published its Strategic Plan - *The Canada Council: A Design for the Future,* which sets out major priority areas and general direction for the future of the Corporation. As called for in the Plan, the Council has undergone restructuring and reorganization eliminating 30 percent of its staff positions; reducing administration costs from 20 percent to 16.5 percent of the total budget and is on target to reduce administration costs by nearly 50 percent by 1998.

In 1995-96, the Council formed a Canada Council Task Force on Tax Incentives for the Arts, to obtain changes to the tax treatments of donations to the arts. Also, the negotiations with the Government of Japan resulted in a $1.4 million donation for the renewal of the Council's Japan-Council fund. Other new programs and criteria have been developed for First People artists.

The Council has also been the recipient of money from individual Canadians and companies. The endowments have grown to over $200 million. An investment committee provides advice to the board on the administration of these funds. The income is used to help fund the 70 prizes, awards and fellowships given each year to distinguished artists and scholars.

CANADA COUNCIL

Chairperson	Donna M. Scott
President and Chief Executive Officer	Roch Carrier
Head Office	12th Floor 350 Albert Street P.O. Box 1047 Ottawa, Ontario, K1P 5V8 (613) 237-3400 Facsimile: (613) 566-4390 Web Site: http://www.ffa.ucalgary.ca/cc/index.html
Incorporation and Status	1957, by the *Canada Council Act* (R.S.C. 1995, c. C-2); Exempt from Divisions I to IV of Part X of the *Financial Administration Act;* Not an agent of Her Majesty. A charitable organization for the purposes of the *Income Tax Act.*
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Assets - Endowment Account	168.2	158.8	155.9	144.9	183.0
- Special Funds	55.5	52.6	51.0	49.5	47.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	186.4	174.4	171.7	163.1	153.9
Operations					
Revenues	121.2	114.9	113.3	121.5	120.5
Outlays on grants, services and art	88.8	91.7	92.2	100.8	99.2
Net Income	12.0	2.1	(1.3)	(0.7)	(0.5)
Cash Flow	12.8	3.0	(1.0)	(0.2)	0.1
Funding from Canada					
Budgetary (operating and capital expenditures)	95.9	98.4	99.3	108.0	105.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	161	217	230	234	234

CANADA DEPOSIT INSURANCE CORPORATION

Mandate and Background

The Canada Deposit Insurance Corporation (CDIC) provides limited insurance for deposits with member institutions, i.e., federal banks, trust and loan companies and approved provincial trust and loan companies.

CDIC promotes standards of sound business and financial practices for member institutions. It promotes and contributes to the stability and competitiveness of the financial system in Canada.

Corporate Profile

CDIC has two primary functions: Insurance and Risk Management, and Claims and Recoveries.

Insurance and Risk Management encompasses policy development, liaison with member organizations and regulators, risk assessment, return of insured deposits, by-laws, and member interventions.

Claims and Recoveries are accomplished through assisting with interventions, asset management, claims and payout management, depositor correspondence and communication, litigation and the supervision of agents and liquidators.

CDIC's Deposit Insurance Fund is funded with annual premiums from member institutions.

Corporate Highlights

In February 1995, the Department of Finance issued a White Paper entitled *Enhancing the Safety and Soundness of the Canadian Financial System*. The paper proposed amendments to the CDIC Act. Legislation (Bill C-15) has now been passed to implement proposals contained in the White Paper with several results for CDIC.

First, the objective to promote and otherwise contribute "to the competitiveness" of Canada's financial system is being removed from CDIC's mandate. Second, CDIC is now allowed to develop a system to vary premiums of members based on a risk rating of the institution. Third, CDIC now has more flexibility in the area of restructuring financial institutions, with access to involvement not only at the share level but also at the asset level. Fourth, in addition to borrowing from the Consolidated Revenue Fund, the Corporation is now allowed to borrow directly from capital markets.

Other legislative changes affecting CDIC include changes to the *Bank Act*, the *Trust and Loan Companies Act* and the *Winding Up and Restructuring Act*. The effect of these changes is to allow CDIC to close a troubled institution earlier than legislation previously permitted, to enforce disclosure of pertinent financial information, and to provide additional grounds for obtaining a winding-up order for a financial institution.

In 1995-96, CDIC reduced its accumulated deficit by $446 million to $1.3 billion and reduced its loans owing to Canada by $600 million to $1.6 billion. These reductions were achieved despite the failure of one member institution - North America Trust - which required CDIC intervention.

CANADA DEPOSIT INSURANCE CORPORATION

Chairperson	Grant L. Reuber
President and Chief Executive Officer	Jean Pierre Sabourin
Head Office	50 O'Connor Street 17th Floor P.O. Box 2340, Station D Ottawa, Ontario, K1P 5W5 (613) 996-2081 Facsimile: (613) 996-6095
Incorporation and Status	1967; by the *Canada Deposit Insurance Corporation Act* (R.S.C. 1985, c. C-3, R.S.C, 1985, C.18; S.C., 1992, C.26); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Paul Martin, P.C., M.P. Minister of Finance
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	1,208.9	1,117.2	2,387.6	2,885.2	1,329.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	1,640.1	2,174.4	3,177.1	3,715.2	1,903.9
Shareholder's Equity	(1,301.0)	(1,747.1)	(1,647.7)	(1,450.7)	(590.0)
Operations					
Revenues	552.6	531.7	409.3	307.9	308.8
Net Income	446.2	(99.5)	3.0	(860.7)	52.6
Cash Flow	413.5	323.9	111.6	35.4	160.9
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	250.0	350.0	1,230.0	2,105.0	1,375.0
Payments to Canada					
Loan Repayments	783.0	1,341.0	1,729.0	270.0	785.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	86	87	90	94	92

CANADA DEVELOPMENT INVESTMENT CORPORATION

Mandate and Background

Canada Development Investment Corporation was incorporated in 1982. The purpose of the Corporation is to effectively manage Crown corporations and investments assigned to it and to privatize its holdings when appropriate. The exhibit shows the assets sold by CDIC since inception.

Corporate Profile

The Canada Development Investment Corporation (CDIC) manages its wholly-owned subsidiaries: Canada Eldor Inc., Theratronics International Limited and Canada Hibernia Holding Corporation (CHHC). CHHC manages the federal government's 8.5 percent interest in the Hibernia Oil and Gas Offshore Development Project.

Corporate Highlights

The government completed an assessment of the future role of CDIC in January 1995. As a result of no new significant additions to the Corporation's responsibilities, CDIC has continued with its plan to dispose of its remaining assets in an orderly fashion. Part of this plan is to reduce operating costs to a minimum as soon as possible. In winding down its operations, CDIC has reduced its staff by over 60 percent.

Over the course of 1995, CDIC wound up the operations of Cartierville Financial Corporation Inc. Also, Canada Eldor Inc., a subsidiary of CDIC, sold its remaining shares in Cameco Corporation. The net proceeds from the sale were $88.6 million. CDIC's net income reflects a gain on the sale of the Cameco shares of $24.1 million.

During 1995, CDIC did not borrow any money from the government nor receive any appropriations for its operations. The financial statements of CDIC do not reflect the operations of its subsidiaries, Theratronics International Limited nor Canada Hibernia Holding Corporation.

Assets Sold by CDIC Since Inception		
Company	**Year**	**Proceeds**
		($ millions)
Canadair Limited	1986	$140
The de Havilland Aircraft of Canada, Limited	1986	90
Teleglobe Canada	1987	505
Fishery Products International Limited	1987	104
Canada Development Corporation	1986/87	361
Nordion International Inc.	1991	165
Varity Corporation	1987/91	9
Telesat Canada	1992	155
Cameco Corporation	1992/93/94/95	320
Co-enerco Resources Ltd.	1993	74
Ginn Publishing Canada Inc.	1994	10

Source: Canada Development Investment Corporation Annual Report 1995.

CANADA DEVELOPMENT INVESTMENT CORPORATION

Chairperson	Donald McQ. Shaver
Executive Vice President	Benita M. Warmbold
Head Office	Suite 2703 Scotia Plaza 40 King Street West P.O. Box 320 Toronto, Ontario, M5H 3Y2 (416) 864-0333 Facsimile: (416) 864-0289
Incorporation and Status	1982; by Canada Development Corporation under the *Canada Business Corporations Act.* Letters patent, May 26, 1982; Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Paul Martin, P.C., M.P. Minister of Finance
Auditor	KPMG Peat Marwick Thorne and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	140.3	126.4	181.9	278.4	422.6
Loans from Private Sector	0.0	0.0	461.7	584.3	675.5
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	114.0	98.3	(318.2)	(357.8)	(344.2)
Operations					
Revenues	5.6	6.2	14.4	5.3	26.2
Net Income	25.7	(21.8)	(32.7)	(67.2)	(147.7)
Cash Flow	2.3	0.2	11.5	0.9	6.3
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	.0.0	0.0	0.0	0.0
Dividends	10.0	10.0	7.7	21.5	7.6
Employment	3	8	9	9	10

CANADA LANDS COMPANY LIMITED

Mandate and Background

Canada Lands Company Limited ("Canada Lands") was incorporated in 1956 and has a mandate to acquire, purchase, lease, hold, improve, manage, exchange, sell, or otherwise deal in or dispose of real or personal property or any interest therein.

Corporate Profile

Canada Lands' business is to carry out, either directly or indirectly, through its subsidiaries, the commercially-oriented and orderly disposal program of surplus federal real properties in order to maximize value to the Canadian taxpayer.

Canada Lands' business activities are carried out through two principal wholly-owned subsidiaries: Canada Lands Company CLC Limited and CN Tower Limited. The other active subsidiary is Old Port of Montreal Corporation Inc.

Corporate Highlights

In July 1995, the *CN Commercialization Act* came into effect and, in August, Canada Lands acquired the CN Tower, a premier tourist and entertainment facility in Canada, as well as the non-operating real estate assets of the Canadian National Railway Company.

The Corporation has also been appointed to manage the decommissioning of the 600-acre Downsview military base in North York. In addition, Canada Lands has acquired ownership of the 300-acre Canadian Forces Base in Saint-Hubert, Quebec. Over the next few years, it is anticipated that a number of additional decommissioned military bases will be transferred to Canada Lands.

For the seven-month period ending March 31, 1996, the Corporation generated revenues of $78.8 million, earning a net income of $1.4 million before tax and had a closing cash balance of $8.5 million.

The Corporation will continue to undertake its program of asset management, marketing and, where warranted, development to achieve its objective of asset value enhancement.

CANADA LANDS COMPANY LIMITED

Chairperson	Jon K. Grant
President and Chief Executive Officer	Erhard Buchholz
Head Office	Suite 1500 200 King Street West Toronto, Ontario M5H 3T4 (416) 974-9700 Facsimile: (416) 974-9661 Web Site: http://www.clc.ca
Incorporation and Status	1956; by letters patent; reorganized under the *Canada Business Corporations Act*, September 19, 1977. Certificate of Continuance under the *Canada Business Corporations Act,* July 7, 1981; Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	394.9	0.0	0.0	0.0	0.0
Loans from Private Sector	63.5	0.0	0.0	0.0	0.0
Loans from Canada	0.9	0.0	0.0	0.0	0.0
Shareholder's Equity	250.1	0.0	0.0	0.0	0.0
Operations					
Revenues	78.8	0.0	0.0	0.0	0.0
Net Income	0.5	0.0	0.0	0.0	0.0
Cash Flow	26.0	0.0	0.0	0.0	0.0
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	340	0	0	0	0

CANADA MORTGAGE AND HOUSING CORPORATION

Mandate and Background

Canada Mortgage and Housing Corporation (CMHC) promotes the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions.

Corporate Profile

CMHC accomplishes its mandate through activities in three business components:

Within the **Corporate Account**, the Corporation manages a portfolio of loans and investments under various provisions of the *National Housing Act*, develops and sells land holdings, and provides housing-related services. Funding is provided by borrowings from the private sector and, in the past, from the Government of Canada.

The **Minister's Account** administers subsidized housing programs under provisions of the *National Housing Act*. CMHC is reimbursed for contributions and related operating expenses through parliamentary appropriations of almost $1.9 billion per year. About 90 percent of the contributions are committed for some 35 years to subsidize social housing programs.

The **Administered Funds** includes insurance and guarantee funds administered by CMHC under provisions of the *National Housing Act*. The Mortgage Insurance Fund provides insurance against borrower default on residential mortgage loans. The Mortgage-backed Securities Guarantee Fund guarantees timely payment of the principal and interest for investors of securities based on insured mortgages.

Corporate Highlights

The 1995 Budget called for spending reductions and outlined specific measures that apply to CMHC. CMHC has made reductions in operating budgets, programs and staff. Over three years, $270 million will be reduced from the social housing budget and $36 million from the research and program administration budget.

The Corporation incurred a loss in its Corporate Account, for the second straight year, of $8.6 million (1994 - $6.3 million). This loss, as the one in 1994, can be mainly attributed to a $28.8 million reduction in interest earnings as a result of loans being renegotiated at lower rates in 1993 and 1994. Renegotiating these loans means that CMHC has less interest income to pay its long-term fixed loans.

In 1995, 97,837 of CMHC's 274,834 mortgages, or 35.6 percent, were issued under the First Home Loan Insurance program.

The Corporation's second year in international capital markets was marked by raising $1.9 billion in medium-term financing on international and domestic bond markets to finance Direct Lending.

Due to exceptional returns on its investments in bond markets, the Insurance and Guarantee Funds produced a surplus of $44 million compared with a loss of $49 million in 1994.

In the 1996 Budget Plan, the government announced that it intends to have CMHC operate the Mortgage Insurance Fund and the Mortgage-backed Securities Guarantee Fund in a more commercial manner. These changes are deemed necessary to ensure that the funds are managed efficiently, respond better to market changes, and promote a more competitive marketplace.

In the 1996 Budget, the federal government also announced that CMHC will be phasing out its remaining role in social housing, except for aboriginal housing. The government would continue to provide federal subsidies for existing social housing, but the management would be done completely at the provincial level.

The $100 million re-introduction of the Emergency Repair Program, along with the $16 million Rental and Rooming House program introduced in 1995, have been extended to March 31, 1997. The funding for these two programs comes from the $50 million saved through increased efficiences in social housing. These two programs help disabled and low-income homeowners upgrade their homes to acceptable safety standards.

CANADA MORTGAGE AND HOUSING CORPORATION

Chairperson	Peter R. Smith
President and Chief Executive Officer	Marc W. Rochon
Head Office	700 Montreal Road Ottawa, Ontario, K1A 0P7 (613) 748-2000 Facsimile: (613) 748-2067 Web Site: http://www.cmhc-schl.gc.ca
Incorporation and Status	1946; by the *Central Mortgage and Housing Corporation Act*; (R.S.C. 1985, c. C-7). Amended March 16, 1979 to *Canada Mortgage and Housing Corporation Act*; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty except when s.14 of its Act applies.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	Deloitte & Touche, Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	13,849.4	11,768.9	10,013.6	8,741.4	8,855.3
Loans from Private Sector	5,999.8	3,444.7	1,345.2	37.2	38.0
Loans from Canada	7,512.7	7,972.2	8,306.1	8,496.3	8,633.0
Shareholder's Equity	35.1	43.7	50.0	50.0	43.1
Operations					
Revenues	1,035.6	877.5	800.2	743.0	781.1
Net Income	(8.6)	(6.3)	5.6	11.8	17.5
Cash Flow	(6.8)	(2.4)	10.3	14.1	(93.6)
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	263.4	306.5	283.5
Payments to Canada					
Loan Repayments	447.4	334.2	453.6	439.5	360.3
Dividends	0.0	0.0	5.6	4.9	18.3
MINISTER'S ACCOUNT					
Operations					
Expenditures	2,001.9	1,868.0	1,935.0	1,950.0	1,962.0
Budgetary Appropriations	1,952.5	1,879.6	1,899.6	1,907.1	1,981.4
Due from the Minister	301.6	252.3	264.0	228.0	16.0
ADMINISTERED FUNDS					
Financial Position					
Total Assets	2,317.8	2,093.1	1,844.2	1,599.4	1,377.0
Shareholder's Equity	44.0	(48.8)	38.4	106.8	174.0
Operations					
Revenues	544.9	432.0	436.5	366.4	302.1
Net Income	92.8	(87.2)	(56.9)	(12.1)	(11.8)
Cash Flow	207.4	213.0	261.5	188.6	237.8
Employment	2,824	3,032	2,975	2,955	2,931

CANADA PORTS CORPORATION

Mandate and Background

The Canada Ports Corporation, established in 1983, administers, manages and controls Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

Corporate Profile

The Canada Ports Corporation coordinates the national port activities of seven autonomous local port corporations which are reported separately in this Report. The Corporation has direct responsibility for operating seven divisional ports and has a wholly-owned subsidiary, Ridley Terminals Inc. In addition, the Corporation administers the Interport Loan Fund to provide an alternative source of financing for financially viable projects.

Corporate Highlights

Total port traffic recorded a 214,000-tonne improvement over last year's traffic perfomance, bringing the total tonnes of cargo handled by the Corporation up to 184.9 million tonnes.

Tariff levels were frozen during 1995, so all of the divisional ports made an effort to increase their operating efficiency, diversify their traffic base and maintain their role in the transportation network. In 1995, six of the seven divisional ports reported increased cargo handling activities.

The Port of Belledune took the lead for the divisional ports, increasing its total port traffic by 45 percent to 1.6 million tonnes. Coal traffic also jumped from 740,000 tonnes in 1994 to 1.2 million tonnes in 1995, as a result of the New Brunswick Power Corporation's Belledune Generating Station operating at full capacity. The Trois-Rivières Port also reported its highest traffic level since 1987, a 46 percent increase over 1994.

The government announced the establishment of the Gateway North Marketing Agency to market and promote the increased use of the Port of Churchill to make the port self-sustaining.

In August 1995, the Treasury Board approved the Corporation's request for a three-fold increase in the amounts stipulated in corporate by-laws for which Canada Ports Corporation and the local port corporations may enter into contracts for works and services without the authorization of the Governor in Council.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Canada Ports Corporation.

PORTS CANADA SYSTEM

Divisional Ports:
Port of Belledune
Port of Churchill
Port Colborne
Port of Prescott
Port Saguenay/Baie des Ha! Ha!
Port of Sept-Îles
Port of Trois Rivières

Subsidiary
Ridley Terminals Inc.

Local Port Corporations:
Halifax Port Corporation
Montreal Port Corporation
Port of Quebec Corporation
Prince Rupert Port Corporation
Saint John Port Corporation
St. John's Port Corporation
Vancouver Port Corporation

CANADA PORTS CORPORATION

Acting Chairperson	James B. Powers
Acting President and Chief Executive Officer	Don Morrison
Head Office	8th Floor 99 Metcalfe Street Ottawa, Ontario, K1A 0N6 (613) 957-6787 Facsimile: (613) 996-9629
Incorporation and Status	1983; pursuant to the *National Harbours Board Act* (R.S.C. 1970, N-8, s.3); reconstituted by the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act;* An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Arthur Andersen & Co.

Financial Summary ($ million) Financial year ending December 31.

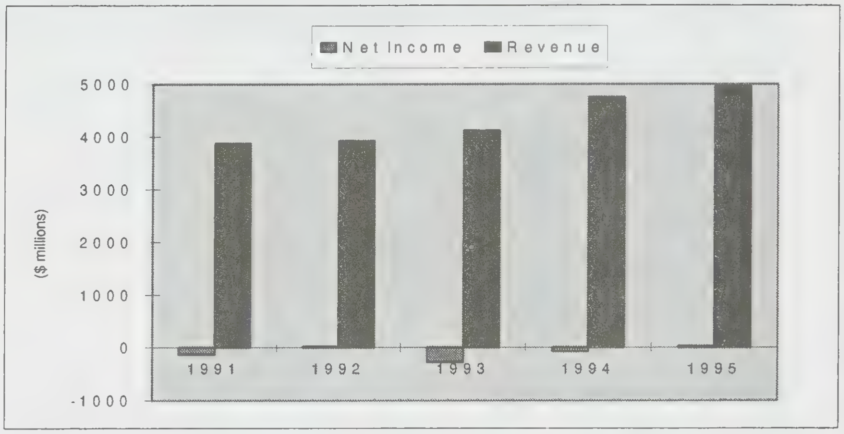
	1995	1994	1993	1992	1991
Financial Position					
Total Assets	264.7	249.6	247.0	217.9	185.2
Loans from Private Sector	179.4	185.5	196.0	191.5	208.8
Loans from Canada	0.4	0.5	0.5	0.6	1.2
Shareholder's Equity	3.2	(9.0)	(16.1)	(51.8)	(86.9)
Operations					
Revenues	62.6	64.3	58.0	56.3	30.8
Net Income	9.8	5.3	10.5	11.8	(255.9)
Cash Flow	13.8	18.3	15.7	19.4	4.2
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	12.8	90.9
Non Budgetary (loans and investments)	0.0	0.0	0.0	20.0	10.0
Payments to Canada					
Loan Repayments	0.1	0.1	0.1	0.6	0.1
Dividends	0.2	0.2	0.1	0.0	0.2
Employment	244	280	281	218	183

CANADA POST CORPORATION

Mandate and Background

Canada Post is mandated to operate Canada's postal service on a self-sustaining financial basis with a standard of service that meets the needs of Canadians.

The *Canada Post Corporation Act* requires the Corporation to fulfil its mandate while considering improvements and extending its products and services, and to conduct its operations on a self-sustaining financial basis. The Corporation does not receive operating subsidies from the government.



Source: Canada Post Corporation Annual Report, 1995-96

Corporate Profile

Canada Post delivers mail to 12 million Canadian addresses and provides postal services through a postal network of approximately 18,500 retail points of purchase and some 844,000 locations where customers can deposit their mail. Messages and parcels are processed through a network of 23 major mail processing plants. The Corporation is one of the largest users of air, surface and marine transportation in Canada.

The Government of Canada supports the publishing industry, northern parcel mail, parliamentary free mail, and blind persons' free mail by making payments to the Corporation to compensate for the provision of special rates of postage.

The Corporation has a 75 percent interest in PCL Courier Holdings Inc., which owns all the shares of Purolator Courier.

Corporate Highlights

Canada Post processed 11.8 billion pieces of mail in 1995-96, an increase of nearly 190 million pieces over the previous year. Consolidated revenue from operations reached $4.9 billion, an increase of $206 million over 1994-95.

The Corporation's consolidated net income was $28 million, a turnaround of $97 million over the previous year's loss of $69 million. This goal was achieved through reduced administration and management expenses, improved productivity, an increase in the basic letter rate, and competitive adjustments to rates for a number of commercial products.

In November 1995, the Minister responsible for Canada Post officially launched the Canada Post Mandate Review to examine financial and policy issues essential to the Corporation's future. The Report to the government from the independent Mandate Review was made public in October 1996. The government is in the process of reviewing and assessing the Report's recommendations prior to finalizing its complete response to the Report.

Canada Post launched new services such as Hybrid Data Interchange (HDI) which facilitates electronic data interchange between businesses and DocuPost, which enable organizations to store documents electronically and to retrieve them for distribution by mail, fax or E-mail through the Internet when needed.

Canada Post also made history with the world's first electronic stamp introduction on the Internet in February 1996, launching its High Technology stamps.

CANADA POST CORPORATION

Chairperson	The Honourable André Ouellet, P.C.
President and Chief Executive Officer	Georges C. Clermont
Head Office	Canada Post Place 2701 Riverside Drive Ottawa, Ontario, K1A 0B1 (613) 734-8440 Facsimile: (613) 734-6022 Web Site: http://www.mailposte.ca
Incorporation and Status	1981; by the *Canada Post Corporation Act* (R.S.C. 1985, c. C-10); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	Deloitte & Touche

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	2,515.4	2,564.6	2,612.8	2,494.1	2,461.9
Loans from Private Sector	199.0	199.0	199.0	55.0	55.0
Loans from Canada	80.0	80.0	80.0	80.0	80.0
Shareholder's Equity	1,026.2	998.0	1,066.9	1,337.3	1,311.7
Operations					
Revenues	4,953.5	4,748.0	4,115.6	3,920.7	3,872.8
Net Income	28.2	(68.9)	(270.4)	25.6	(127.5)
Cash Flow	277.6	169.9	185.8	230.9	27.5
Funding from Canada					
Budgetary (operating and capital expenditures)	14.0	14.0	14.0	14.0	115.3
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	5.7
Employment	44,107	43,871	43,699	44,683	46,666

CANADIAN BROADCASTING CORPORATION

Mandate and Background

The Canadian Broadcasting Corporation (CBC) is Canada's national public broadcasting service. The CBC produces, procures and distributes Canadian progamming in English, French and a number of other languages as well as offering a selection of the best programs from around the world.

Its mission is to inform, entertain and enlighten; to contribute to the development of shared national consciousness and identity; to reflect the regional and cultural diversity of Canada; and to contribute to the development of Canadian talent and culture.

Corporate Profile

The Corporation operates English and French-language television and radio networks and regional radio and television services. It also offers specialized services such as CBC Newsworld, a 24-hour English-language news and information channel, Le Réseau de l'information (RDI), the French-language counterpart to CBC Newsworld, and Radio Canada International (RCI) which broadcasts programs in eight languages. CBC is also a partner in the Showcase specialty channel.

On December 20, 1995, the Canadian Radio-television Telecommunications Commission (CRTC) granted the CBC a licence to operate a new pay digital audio service, called Galaxie, which initially will provide 30 channels of commercial-free music, 24 hours a day, seven days a week.

In partnership with Power Broadcasting, CBC operates two specialty services, Newsworld International and Trio, a family entertainment channel. The two services are distributed by satellite-to-home throughout the U.S.

The CBC's programs are distributed through Telesat's Anik series of satellites. The satellites are used in combination with 100,000 km of microwave and landline feeding 89 CBC owned stations, 1,160 CBC owned rebroadcasters, and 31 private affiliated stations and 292 affiliated or community-owned rebroadcasters and stations.

The CBC is financed mainly through public funds, supplemented by advertising revenue on television and miscellaneous revenue sources.

Corporate Highlights

In January 1996, following a comprehensive mandate review of the CBC, the National Film Board and Telefilm Canada, the Committee appointed by the federal government to undertake the review tabled its report. While the Committee did recommend some significant changes to how CBC operates, it essentially left CBC's mandate intact.

The House of Commons Standing Committee on Canadian Heritage also presented its report on the future of the CBC in a multi-channel universe.

The CBC proceeded with an in-depth review of its operations to shape a new, more efficient organization. In November 1995, the Corporation announced a new "Vision for CBC" approved by its Board of Directors. The CRTC renewed the licences of CBC's regional television stations in 1995, in most cases for five-year terms.

Following more than 17 months of negotiations, the Corporation and its English file unions reached agreements in principle on May 23, 1996. Negotiations with the French file unions towards new collective agreements commenced recently.

English Television launched several new Canadian series over the 1995-96 season. As of September 1996, American programming was eliminated during prime time on English television. French Television continued to provide a diversified mix of quality programs, including a number of new series, to francophone audiences.

CBC Newsworld is now the specialty network with the highest penetration in Canada, reaching 7.4 million cable homes. RDI is now accessible to 6.7 million cabled homes in Canada: 1.8 million in Quebec and 4.9 million outside Quebec.

Both English and French Radio now broadcast 24-hours a day with hourly newscasts and the debut of CBC Radio Overnight on CBC's English Radio and Stereo service.

The environment in which the CBC operates has changed substantially in recent years with many of these changes directly affecting CBC's services and its place in the broadcasting system. In addition, the Corporation has had to cope with major financial shortfalls while still respecting its public mandate.

Highlights over the past year include the launch of CBC's Internet homepage. The CBC is also an active partner, with the federal government and private broadcasters, in Digital Radio Research Inc.

The budgetary appropriation of $1,170.7 million includes downsizing funding of $106 million. The revenue of $1,258.4 million reported by the Corporation includes $963.2 million in budgetary appropriations.

CANADIAN BROADCASTING CORPORATION

Chairperson	Guylaine Saucier
President	The Honourable Perrin Beatty, P.C.
Head Office	1500 Bronson Avenue P.O. Box 8478 Ottawa, Ontario, K1G 3J5 (613) 724-1200 Facsimile: (613) 738-6925 Web Site: http://www.cbc.ca
Incorporation and Status	1991, by the *Broadcasting Act* (R.S.C. 1991, c. 11); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	1,696.7	1,613.0	1,582.0	1,582.8	1,072.8
Loans from Private Sector	411.9	433.6	435.3	436.1	0.8
Loans from Canada	0.0	0.0	33.0	33.0	33.0
Shareholder's Equity					
Operations					
Revenues	1,258.4	1,362.6	1,329.1	1,330.9	1,278.7
Net Income	(159.8)	(193.7)	(152.4)	(76.4)	(81.9)
Cash Flow	30.4	(32.1)	13.7	26.6	10.8
Funding from Canada					
Budgetary (operating and capital expenditures)	1,170.7	1,126.9	1,089.5	1,109.7	1,031.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	33.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	8,181	9,015	9,117	9,337	9,551

CANADIAN COMMERCIAL CORPORATION

Mandate and Background

The Canadian Commercial Corporation (CCC) assists in the development of trade between Canada and other nations by facilitating sales to foreign governments and international agencies on behalf of Canadian suppliers. In all transactions, CCC assumes the role of prime contractor, undertaking to deliver a product or service to the foreign customer with a "back-to-back" obligation from a Canadian supplier.

Corporate Profile

CCC achieves its mandate by offering a wide range of export support services to Canadian exporters, providing them with special access to foreign markets and enhancing their credibility by guaranteeing contract performance. A significant number of sales are generated as a result of specific obligations outlined in the Defence Production Sharing Agreement and the Defence Development Sharing Agreement with the United States government.

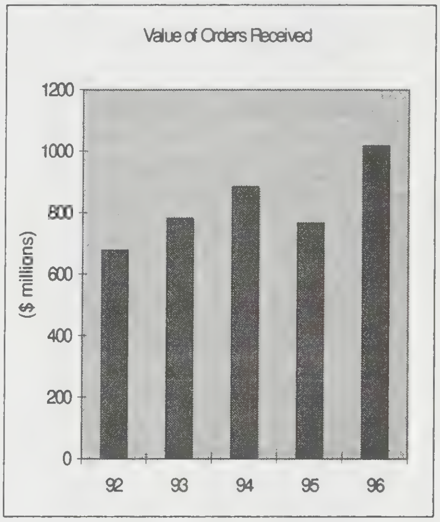
Corporate Highlights

The 1995-96 fiscal year marked the Corporation's 50th anniversary. During this fiscal year, the Corporation had a number of significant exporting milestones.

In 1995, the Corporation was challenged to double its business volume to $1.5 billion within two years. As shown in the exhibit, in 1995-96, a record $1.017 billion worth of orders were received from 41 countries and 11 international organizations. This is a 46 percent increase in buyers and an 11 percent increase in the number of countries the Corporation has been dealing with in previous years. In the last 10 years, CCC has facilitated the sale of $8 billion worth of goods and services in over 90 countries around the world.

In 1995, CCC implemented the Progress Payment Program (PPP) - a service to provide small businesses with access to new sources of commercial financing of pre-shipment costs on export sales. The PPP completed its first full year of operation handling 27 transactions in 13 countries worth $48 million.

During 1995-96, the number of contracts and amendments handled by CCC grew to 4,754 - an increase of more than 40 percent.



Source: Canadian Commercial Corporation Annual Report 1995-96.

CANADIAN COMMERCIAL CORPORATION

Chairperson and President	Robert G. Wright
Head Office	Metropolitan Centre 11th Floor 50 O'Connor Street Ottawa, Ontario, K1A 0S6 (613) 996-0034 Facsimile: (613) 992-2121 Web Site: http://www.ccc.ca
Incorporation and Status	1946; by the *Canadian Commercial Corporation Act* (R.S.C. 1985, c. C-14); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Arthur C. Eggleton, P.C., M.P. Minister for International Trade.
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	312.8	384.3	390.6	473.2	532.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	16.6	18.3	17.0	15.8	46.2
Operations					
Revenues	974.6	879.2	882.1	610.8	761.6
Net Income	(1.7)	1.3	1.2	(0.4)	2.7
Cash Flow	(1.7)	1.3	1.2	(0.4)	2.7
Funding from Canada					
Budgetary (operating and capital expenditures)	11.8	13.2	13.8	13.5	14.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	30.0	1.8
Employment	84	81	81	81	97

CANADIAN DAIRY COMMISSION

Mandate and Background

Established in 1966 by the *Canadian Dairy Commission Act*, the Canadian Dairy Commission's programs and efforts are aimed at providing producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment, and provides consumers of dairy products with a continuous and adequate supply of high quality dairy products.

The Commission operates on a "dairy year" basis; therefore, the following information provides an overview of Commission activities for the period from August 1, 1994 to July 31, 1995.

More current information on the Commission will be available in late November 1996 with the tabling of its 1995-96 Annual Report.

Corporate Profile

The Commission advises the Minister of Agriculture and Agri-Food on matters relating to dairy policy; determines domestic requirements for industrial milk and cream for the purpose of establishing Market Sharing Quota; establishes the target price for industrial milk and sets support prices for butter and skim milk powder and offers to purchase products at these prices.

In 1994-95, the Commission continued to administer the government's monthly payment to producers on eligible milk and cream shipments; receive funds for certain marketing activities; export dairy products not needed for domestic consumption; and administer other marketing and promotion programs.

Corporate Highlights

Changes brought about by both the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) Agreement on Agriculture, required a reworking of the former marketing arrangements for milk across Canada. A major element of the WTO Agreement on Agriculture in conjunction with provisions of NAFTA was that, as of August 1, 1995, Canada could not export dairy products to the U.S. where the export of the product had been supported by producer levies. Furthermore, over the subsequent six years, Canada must also reduce the volume and value of its exports funded by producer levies to other countries.

As a result, during 1994-95, the Commission acted as a key facilitator for various forums dealing with dairy policy and the changes necessary to operate in the new trading environment.

In October 1994, the Dairy Industry Strategic Planning Committee recommended implementation of a classified pricing system based on the end use of milk, national pooling of market returns, and coordinated milk allocation mechanisms.

The Canadian Milk Supply Management Committee (CMSMC), chaired by the Commission, created a Negotiating Subcommittee to direct negotiations on these issues among provinces.

In July 1995, changes were made to the *Canadian Dairy Commission Act* to allow the Commission to work with provincial authorities in administering the new special milk class permit system and national pooling arrangements on behalf of the industry. These new systems were implemented on August 1, 1995.

With the implementation of the WTO Agreement, Canada changed its former quantitative import controls to tariff rate quotas. The new tariff rate quota system for cheese, ice cream, yogurt and certain other dairy products came into effect on January 1, 1995. The tariff rate quota for butter imports began on August 1, 1995, and the Commission acts as the first receiver of these butter imports.

In 1994-95, increased production resulted in dairy support payments in excess of the budgeted amount of $217.2 million. As a result, the Commission was granted additional funding of $9.4 million to cover producer payments for the remainder of the year.

CANADIAN DAIRY COMMISSION

Chairperson and Chief Executive Officer	Gilles Prégent
Head Office	Carling Executive Park Suite 300 1525 Carling Avenue Ottawa, Ontario, K1A 0Z2 (613) 998-9490 Facsimile: (613) 998-4492 Web Site: http://aceis.agr.ca/cdc
Incorporation and Status	1966; by the *Canadian Dairy Commission Act* (R.S.C. 1985, c. C-15) (S.C. 1994, c. 26 and c. 38) (S.C. 1995, c. 23); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Ralph Goodale, P.C., M.P. Minister of Agriculture and Agri-Food
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending July 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	189.3	176.4	171.0	248.9	233.6
Loans from Private Sector	68.7	57.2	75.2	30.8	28.1
Loans from Canada	69.3	68.1	58.4	150.8	136.6
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	214.8	186.0	163.9	242.7	193.6
Net Income	33.3	13.5	29.1	13.8	(6.5)
Cash Flow	n/a	n/a	n/a	n/a	n/a
Funding from Canada					
Budgetary (operating and capital expenditures)	224.7	226.1	242.6	241.9	258.6
Non Budgetary (loans and investments)	274.0	226.2	167.3	266.7	234.9
Payments to Canada					
Loan Repayments	272.8	216.5	259.7	252.6	204.5
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	57	57	58	62	62

CANADIAN FILM DEVELOPMENT CORPORATION

Mandate and Background

The Canadian Film Development Corporation (Telefilm Canada) fosters and promotes an independent film and television production industry in Canada.

Corporate Profile

Telefilm meets this responsibility by providing financial assistance for the development, production and distribution of Canadian motion pictures and television programs, and through other forms of industry assistance.

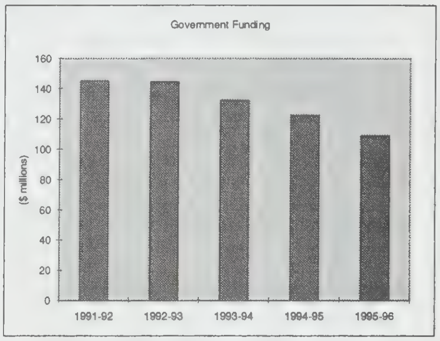
Corporate Highlights

In 1995-96, the Committee appointed by the government to review the mandates of the Canadian Broadcasting Corporation, the National Film Board of Canada and Telefilm Canada tabled its report. The opportunity to contribute to the Mandate Review led directly to Telefilm's rethinking of its own aims and approach.

The Corporation had to administer a shrinking parliamentary appropriation and, as a result, was led to redefine its requirements with respect to the positioning of its investments. This redefinition resulted in increased revenues that were reinvested in production and distribution activities. The Corporation also reduced its contributions to complementary programs and reduced administrative expenses and personnel.
Given that Telefilm's parliamentary appropriation will be still further reduced, the Corporation committed itself to carrying on with the newly adopted strategic planning process in order to facilitate the development of strategies to meet a changing and difficult environment.

In the area of administration, Telefilm has taken steps to stabilize production and distribution resources, create a loan guarantee program, rationalize international activities and overhaul its entire operating structure. With respect to production and development, the Corporation has supported the industry from Newfoundland to British Columbia. In 1995-96, it equitably distributed funding totalling $111.3 million for both English and French productions as well as for those originating in Central Canada, Western Canada, the Atlantic provinces and other regions outside of Ontario and Quebec.

The Corporation spent $31.3 million on distribution and promotion during the year. Activity in this area included feature film distribution, dubbing, national and international marketing, participation in international festivals and markets, providing grants to Canadian festivals and other film events, and supporting industrial and professional development.
The Corporation has also been active on the international scene, supporting Canadian producers in the area of co-production. As well, it has assisted the Canadian industry in raising its profile in both Europe and Asia.



Source: Telefilm Canada Annual Report 1995-96.

In 1995-96, Telefilm Canada disbursed $159 million to the Canadian film and television industry, $10 million more than the year before. Of this amount, $133.4 million went towards 1995-96 commitments while $25.6 million was devoted to projects from previous years. These amounts included administrative expenses. Returns on investment and loan reimbursements amounted to $36.6 million - an increase of 20 percent over 1994-95.

In 1995-96, Telefilm contracts for new projects or amendments to previous years' commitments totalled $158.8 million. This amount, which included administrative expenses, represented an increase of 11.4 percent over the previous year.

CANADIAN FILM DEVELOPMENT CORPORATION

Chairperson	Robert Dinan
Executive Director	François N. Macerola
Head Office	Tour de la Banque Nationale 14th Floor 600 de La Gauchetière, West Montreal, Quebec, H3B 4L2 (514) 283-6363 Facsimile: (514) 283-8212
Incorporation and Status	1967; by the *Canadian Film Development Corporation Act* (R.S.C. 1985, c. C-16); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	47.8	49.0	39.2	33.0	31.5
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	35.6	38.8	28.4	22.7	19.3
Operations					
Revenues	0.7	0.6	0.9	0.9	0.9
Net Income	(112.1)	(112.0)	(118.3)	(133.6)	(140.8)
Cash Flow	(110.6)	(110.9)	(116.3)	(131.9)	(139.8)
Funding from Canada					
Budgetary (operating and capital expenditures)	109.0	122.3	132.4	144.5	145.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	8.5	7.5	0.0
Employment	148	166	178	182	187

CANADIAN MUSEUM OF CIVILIZATION

Mandate and Background

Under the *Museums Act*, the Canadian Museum of Civilization (CMC) has a mandate to increase interest in, knowledge of, and appreciation and respect for human cultural achievements and behaviour throughout Canada and internationally by establishing, for research and posterity, a collection of objects of historical or cultural interest with special, but not exclusive, reference to Canada.

Corporate Profile

CMC manages and operates the Canadian Museum of Civilization and its affiliate, the Canadian War Museum (CWM), which is dedicated to Canada's military history and continuing commitment to peacekeeping.

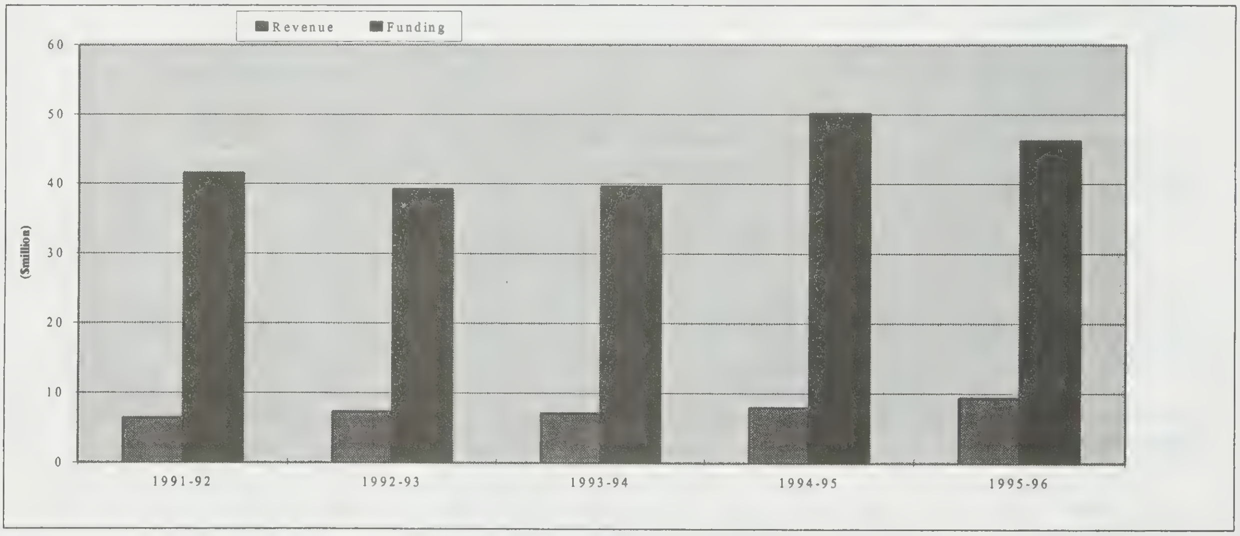
Corporate Highlights

In 1995, CMC successfully undertook and completed some of its major objectives.

To increase Canadians' sense of their common identity and history, CMC completed major elements of the permanent gallery space devoted to the history of Western Canada. CWM recently added new gallery space devoted to the post-Second World War period.

To further develop the Corporation's outreach capabilities, CMC has made advances in its non-traditional activities. Photo CDs and CD-ROMs have been produced, and visitation at the CMC Web Site has reached 55,000 a month. CWM participated in the re-enactment at Louisbourg which attracted over 80,000 people. Attendance at CMC topped the 1.5 million level for the first time ever. CWM contributed to this record level by attracting over 215,000 visitors which was due in large part to the 50th anniversary events commemorating the end of the Second World War.

As shown in the exhibit, revenues for fiscal 1995-96 totalled $9.3 million which represents an increase of $1.4 million or 18 per cent over 1994-95. This is the highest level of self-generated revenues in the Corporation's history.



Source: Canadian Museum of Civilization 1995-96 Annual Report.

CANADIAN MUSEUM OF CIVILIZATION

Chairperson	Adrienne Clarkson
President and Chief Executive Officer	George F. MacDonald
Head Office	100 Laurier Street P.O. Box 3100, Station B Hull, Quebec, J8X 4H2 (819) 776-7116 Facsimile: (819) 776-7122 Web Site: http://www.cmcc.muse.digital.ca
Incorporation and Status	July 1, 1990, by the *Museums Act* (S.C. 1990, c.3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	30.6	30.5	25.2	25.6	26.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	17.6	15.6	13.7	14.4	13.4
Operations					
Revenues	9.3	7.9	7.1	7.3	6.4
Net Income	(44.2)	(48.2)	(40.3)	(38.2)	(38.9)
Cash Flow	(41.4)	(45.9)	(36.7)	(35.0)	(35.6)
Funding from Canada					
Budgetary (operating and capital expenditures)	46.2	50.1	39.6	39.2	41.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	534	466	525	525	503

CANADIAN MUSEUM OF NATURE

Mandate and Background

The Canadian Museum of Nature's (CMN) mandate is to increase interest in, knowledge of, and appreciation and respect for the natural world throughout Canada and internationally by establishing, developing and maintaining, for research and posterity, a collection of natural history objects with special, but not exclusive, reference to Canada.

Corporate Profile

A new program structure was incorporated during the 1995-96 fiscal year. It divides the Museum's activities into five areas: Research, Collections, Public Programming, Corporate Services and Accommodation.

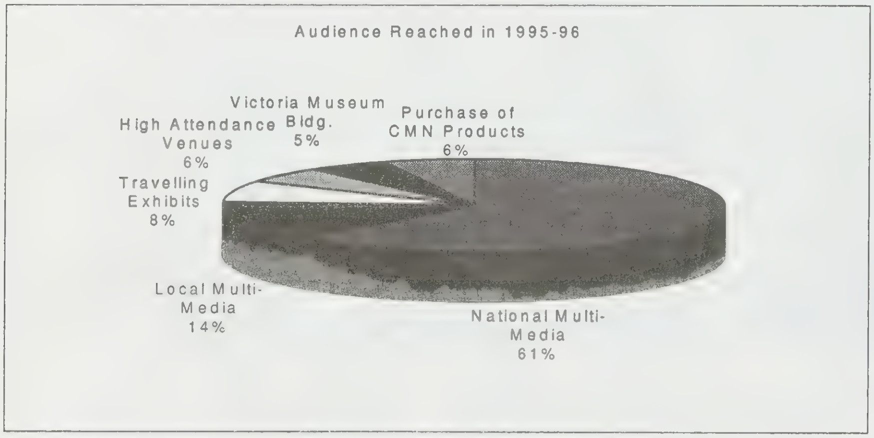
Corporate Highlights

The 1995-96 year was marked by a number of discoveries. In the Northwest Territories, more fossil fish of the Devonian era per square metre than anywhere else in the world has been discovered. In the Ottawa River, the first adult population of zebra mussels were discovered. The largest atomic structure ever found for a mineral was also discovered.

The Museum is facing continued cuts in appropriations over the next three years. To offset losses due to the continuing decrease in appropriations, the Museum initiated profit-oriented business initiatives as well as participating in co-ventures and strategic alliances to generate revenue. A strategic alliance has been formed with Digital Equipment Corporation. As well, a Memorandum of Understanding has been signed by the Museum allowing it to work with 12 developing countries to assist them in understanding and managing their natural resources. The Museum estimated it reached a total of 6.6 million people using a variety of techniques as shown in the exhibit.

In 1995, a draft National Collections Strategy was prepared in order to optimize the utility and value of natural history collections to society through a cooperative approach on a national scale.

Construction has now begun on the new facility in Aylmer, Quebec. This will allow the Museum to centralize its activities and to consolidate collections and the Museum staff into one building.



Source: Canadian Museum of Nature 1995-96 Annual Report.

CANADIAN MUSEUM OF NATURE

Chairperson	Frank Ling
Interim President and Chief Executive Officer	Colin C. Eades
Head Office	Victoria Memorial Museum Building 240 McLeod Street P.O. Box 3443, Station D Ottawa, Ontario, K1P 6P4 (613) 566-4700 Facsimile: (613) 995-3040
Incorporation and Status	July 1, 1990, by the *Museums Act* (S.C. 1990, c. 3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	20.5	19.2	7.9	7.3	8.2
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	5.6	4.2	2.3	0.8	0.5
Operations					
Revenues	2.5	1.9	1.5	1.2	2.1
Net Income	(25.1)	(23.3)	(18.3)	(18.7)	(19.5)
Cash Flow	(27.1)	(22.0)	(16.1)	(17.5)	(18.5)
Funding from Canada					
Budgetary (operating and capital expenditures)	27.0	27.4	19.8	19.1	19.2
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	216	242	216	251	244

CANADIAN NATIONAL RAILWAY COMPANY

Mandate and Background

Canadian National Railway Company (CN) operates a national railway system and other transportation and related services.

In 1922, CN was created from an amalgamation of 200 companies.

Corporate Profile

CN operates Canada's largest railway system, supplying customers with freight rail transportation and related services. CN is composed of CN Enterprises and CN North America, which supplies carload and intermodal distribution systems in Canada and the U.S.

Corporate Highlights

The sale to the public of all of the Government of Canada's interest in CN was finalized on November 28, 1995. The government announced its intent to sell CN in February 1995, which was followed by Parliament's approval of the *CN Commercialization Act* in July 1995.

The gross proceeds from the sale of CN's 80 million shares was $2.1 billion . Of the proceeds, $0.9 billion was used to reduce CN's debt, resulting in $1.2 billion in proceeds to the government. The $1.2 billion was applied towards the Debt-Servicing and Reduction Account. The privatization of CN was the largest Initial Public Offering (IPO) ever in Canada.

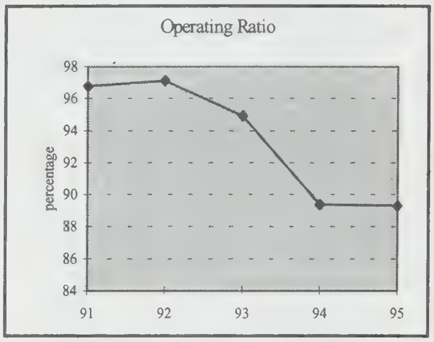
The IPO price for the common shares sold by the government was $27 each. The shares were sold on an instalment basis with the first payment due on November 28, 1995 ($16.25) and the second payment due on November 27, 1996 ($10.75). The initial share offering was broken down as follows: 20 percent, Canadian retail investors; 40 percent, institutional; and 40 percent, international (principally U.S.).

The non-rail assets of CN, including the CN Tower, having a value of $248 million, were transferred to the government as part of the CN privatization. The Canada Lands Company Limited will dispose of the assets, excluding the CN Tower, in an orderly fashion to ensure maximum return to the government.

Revenues for 1995 were $4.1 billion, a decline of 5 percent from 1994.

CN continued to reduce its operating ratio from a high in 1992 of 97.1 percent, to 89.3 percent in 1995, excluding special charges. CN is targeting an operating ratio of 85.6 percent for 1996, and 82 percent for the turn of the century. The operating ratio compares the expenses incurred in generating revenues with the revenues generated.

In 1995 CN opened the St. Clair tunnel, which significantly reduces the travel time between the east coast and the Chicago gateway. In 1995, CN also entered the final phase in its workforce reduction program, which has eliminated 11,000 positions since 1992.



Source: Canadian National Railway Company Annual Report 1995.

Phase one of CN's three-phase, $100 million Service Reliability Strategy (SRS) was completed in July 1995. SRS, a system for managing freight shipments, lays the foundation for CN to become a fully scheduled railway.

CN plans to purchase 394 new high-productivity locomotives over the next 15 years to replace 543 of its older locomotives. In the fall of 1995, CN took the first step towards this replacement by placing an order to acquire 105 new locomotives by early 1997.

This is the last year CN will form part of the President's Annual Report on *Crown Corporations and Other Corporate Interests.*

CANADIAN NATIONAL RAILWAY COMPANY

Chairperson	David G. A. McLean
President and Chief Executive Officer	Paul M. Tellier
Head Office	935 de La Gauchetière West Montreal, Quebec, H3B 2M9 (514) 399-7212 Facsimile: (514) 399-5344
Incorporation and Status	1922; by the *Canadian National Railway Act* which was superseded by the 1955 Act of the same name (R.S.C. 1985, c. C-19); Schedule III, Part II of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Poissant Thibault, KPMG Peat Marwick Thorne and Raymond, Chabot, Martin, Paré

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	6,198.0	7,809.0	7,106.0	7,051.6	6,964.7
Loans from Private Sector	1,601.0	2,332.0	1,999.0	1,752.5	1,750.7
Loans from Canada	0.0	81.0	100.0	117.0	133.0
Shareholder's Equity	2,306.0	2,657.0	2,412.0	2,491.1	3,531.4
Operations					
Revenues	4,098.0	4,672.0	4,208.0	4,051.5	4,057.2
Net Income	(1,085.0)	245.0	(79.0)	(1,005.2)	(14.3)
Cash Flow	558.0	490.0	194.0	199.2	214.8
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	5.8	10.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	81.0	19.0	17.0	16.0	15.0
Dividends	248.0	0.0	0.0	35.0	0.0
Employment	26,951	32,667	34,707	35,281	36,196

CANADIAN WHEAT BOARD, THE

Mandate and Background

The Canadian Wheat Board (CWB) markets wheat and barley grown in Western Canada in the best interests of Western Canada's grain producers and administers the *Prairie Grain Advance Payments Act.*

Corporate Profile

The CWB is responsible for all domestic sales for human consumption and export sales of wheat and barley grown in the Prairie provinces and some parts of British Columbia. The CWB provides Prairie farmers with a strong presence in the international grain market by exporting wheat and barley to more than 70 countries. By acting as seller, banker and shipper, the CWB is actively involved in all facets of the grain industry.

The CWB issues a government-guaranteed initial payment when the producer delivers grain. Receipts are pooled, and a final payment net of marketing costs is made after the full year's returns have been calculated. Deficits in individual grain pool accounts become, by statute, a charge upon the Consolidated Revenue Fund of Canada. The Board negotiates sales contracts directly with customers or through accredited exporters.

Corporate Highlights

During the course of the year, the CWB made changes to its policies and procedures to adjust for the changes when the *Western Grain Transportation Act* was repealed on August 1, 1995. The changes to the Act increased the costs incurred in transporting grain. Some of the changes introduced included modification of the information technology systems, developing new sales accounting procedures, and calculating Freight Adjustment Factors for each delivery point.

1995 saw a substantial improvement in the prices for wheat and barley. Prairie yields and crop quality were both above average for the year.

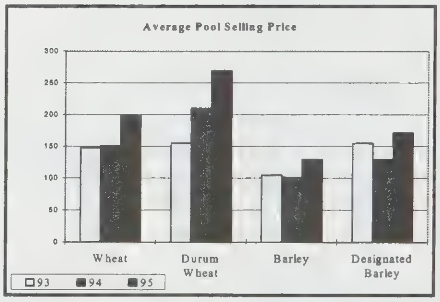
Due to the increase in crop quality over last year, the CWB saw China re-emerge as its largest wheat customer. Iran and Algeria were the next largest customers. Sales of wheat to the U.S. and within Canada fell due to the decrease in supplies of feed wheat. The U.S. remained as the largest barley customer.

The CWB played host to market development programs in Canada and abroad to promote western Canadian wheat and barley. The CWB also hosted incoming missions from 30 countries and participated in outgoing missions to 39 countries. Other activities undertaken by the CWB to promote Canadian grain are the Asian Research Fellowship Program and an educational accord with the Brazilian millers' association, ABITRIGO.

Internally, the CWB has or is looking at implementing a number of changes. The CWB has asked for authority to pay performance bonuses to producers out of relevant pool accounts as an incentive for full completion of contracts. The CWB has also asked the federal government for the ability to pay farmers storage and interest charges and allow final payments to be made earlier than January 1.

In the 1996 Budget Plan the federal government announced that it will dispose of its fleet of grain hopper cars and move to minimize its role in day-by-day operations of the system. The Minister of Transport will be authorized to adjust regulated freight rates, effective August 1, 1998, by $0.75 per tonne on average to cover the costs of acquisition for whomever purchases the cars.

In July 1995, the Western Grain Marketing Panel was created to examine western grain marketing issues. Its Report was submitted to the Minister of Agriculture and Agri-Food in July 1996.



Source: Canadian Wheat Board 1993-94 &1994-95 Annual Reports.

CANADIAN WHEAT BOARD, THE

Chief Commissioner	Lorne F. Hehn
Head Office	423 Main Street P.O. Box 816 Winnipeg, Manitoba, R3C 2P5 (204) 983-0239 Facsimile: (204) 983-3841
Incorporation and Status	1935; by The *Canadian Wheat Board Act* (R.S.C. 1985, c. C-24); Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Ralph Goodale, P.C., M.P. Minister of Agriculture and Agri-Food
Auditor	Deloitte & Touche

Financial Summary ($ million) Financial year ending July 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	8,043.3	8,858.6	8,651.1	7,296.4	7,584.2
Loans from Private Sector	7,144.0	7,777.4	7,645.7	6,560.8	7,437.7
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	4,525.5	3,873.4	4,428.1	3,503.9	3,478.0
Net Income	515.9	669.5	892.5	678.3	27.0
Cash Flow	n/a	n/a	n/a	n/a	n/a
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	63.3	784.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	n/a	n/a	n/a	0.0	0.0
Employment	452	464	453	446	439

CAPE BRETON DEVELOPMENT CORPORATION

Mandate and Background

The goal of the Cape Breton Development Corporation (Devco) is to operate safe, commercially viable coal mines that are dependable supplies of quality coal and related energy products.

Corporate Profile

Devco is the largest coal producer in Eastern Canada and one of the largest industrial employers in Atlantic Canada. It operates two collieries and fully integrated support facilities for the preparation and distribution of coal. Sales are made to Canadian and international markets.

Corporate Highlights

Fiscal year 1995-96 was the first year ever in which the Cape Breton Development Corporation operated without appropriations from the federal government. However, a number of significant challenges emerged during the year.

The Minister of Natural Resources commissioned an independent study of the corporation. The primary objective of the study was to undertake a technical and operational assessment and to determine the Corporation's overall ability to compete with other coal mining companies. The findings, released in February 1996, concluded that operations could be commercially viable; however, success would be dependent on decreasing overall costs and improving certain of the Corporation's systems, policies, and practices.

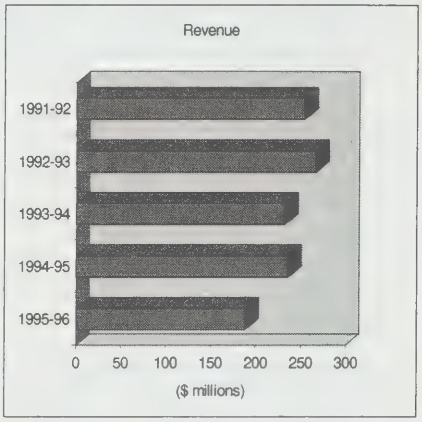
In July 1995, the Corporation's mandate was updated to reflect the current situation. The revised mission statement - "to become a profitable coal mining company" - clearly reflects the Corporation's course.

A quantity and price agreement with the Corporation's major customer, Nova Scotia Power Incorporated, was concluded in September 1995. This agreement will be in effect until January 1, 2000.

A major roof fall at the Phalen Colliery in November 1995 resulted in a projected $10 million additional cash shortfall for the year. A 10-week layoff of 1,200 employees was also required.

The development of an achievable corporate plan was also a priority. A consultative process was established to provide employees, unions and the community with an opportunity to participate. A Five-Year Plan was devised and approved. It called for the reduction of certain operations and a workforce reduction of 658 employees. The greater part of this workforce reduction, 400 employees, had taken place by the spring of 1996, with the remainder slated to occur over the following four years.

Sales for 1995-96 amounted to 2.58 million tonnes - 689,000 tonnes less than the previous year. Revenues dropped from $235.4 million in 1994-95 to $188.4 million in 1995-96, as shown in the exhibit.



Source: Annual Report, Year Ended March 31, 1996, Cape Breton Development Corporation.

CAPE BRETON DEVELOPMENT CORPORATION

Chairperson	Joseph P. Shannon
President and Chief Executive Officer	George White
Head Office	95 Union Street P.O. Box 2500 Sydney, Nova Scotia, B1P 6K9 (902) 564-2848 Facsimile: (902) 842-2589
Incorporation and Status	1967; by the *Cape Breton Development Corporation Act*, (R.S.C. 1985, c. C-25); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Anne McLellan, P.C., M.P. Minister of Natural Resources
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	259.5	367.0	379.9	356.8	393.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	15.0	5.0	5.0	0.0	30.0
Shareholder's Equity	65.0	272.4	267.7	250.6	262.6
Operations					
Revenues	188.4	235.4	231.8	266.0	253.9
Net Income	(207.4)	(20.7)	(19.3)	(43.0)	(110.9)
Cash Flow	11.0	14.0	11.7	2.6	(8.9)
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	25.4	38.5	31.0	31.0
Non Budgetary (loans and investments)	10.0	0.0	5.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	30.0	1.0
Dividends	0.0	0.0	0.0	0.0	4.3
Employment	2,091	2,203	2,279	2,335	2,554

DEFENCE CONSTRUCTION (1951) LIMITED

Mandate and Background

Defence Construction (1951) Limited (DCC) contracts for and supervises major military construction and maintenance projects for the Department of National Defence (DND).

Defence Construction is fully funded by the Department through its capital budget.

Corporate Profile

The Department of National Defence, as owner and design authority, provides Defence Construction with the necessary land and funding, as well as with complete drawings and specifications.

The Corporation currently provides service in four areas. These are architectural and engineering consultant contracting and consultant contract administration; construction contracting; construction contract management, including supervision and inspection of the work; and the provision of project management services in support of DND's environmental program. All contract management work is carried out from offices on individual Canadian Forces' Bases.

Corporate Highlights

Work performed in 1995-96 amounted to $369 million. Defence Construction has been handling similar volumes for many years. However, a large portion of this volume is funded by DND's Infrastructure Reduction Program. This program encompasses the planning and implementation of changes that must be made to DND's physical infrastructure in order to accommodate downsizing and rationalization within the Canadian Forces.

To offset the anticipated longer-term decline in traditional work volumes resulting from changes in DND's role, DCC offers services in areas adjacent to its traditional working arrangements with the Department. These areas include DND facilities management work undertaken in conjunction with Public Works and Government Services Canada, energy management contracting, and contracting and management support for the Canadian Forces Housing Agency.

The Corporation has also undertaken initiatives to support these non-traditional business thrusts. These include developing new performance indicators and reporting methods enhancing working conditions, improving communications and making final refinements to the strategic information management system.

Nine key performance indicators have been developed to keep management apprised of operational efficiencies and effectiveness. Results show that the Corporation has met or exceeded all targets for 1995-96.

A major undertaking, begun in the 1995-96 fiscal year and slated to continue into the next, is the implementation of a service billing system that will take DCC out of the realm of dependency on parliamentary appropriations.

DEFENCE CONSTRUCTION (1951) LIMITED

Chairperson	Reginald W. Lewis
President and Chief Executive Officer	Ross Nicholls
Head Office	Place de Ville Tower B, 17th Floor 112 Kent Street Ottawa, Ontario, K1A 0K3 (613) 998-9548 Facsimile: (613) 998-1061
Incorporation and Status	1951; by the *Defence Production Act* (R.S.C. 1985, c. D-1); continued under the *Canada Business Corporations Act*, November 21, 1978; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	3.6	3.2	2.4	2.6	2.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(0.3)	(0.2)	(0.8)	(1.8)	(2.0)
Operations					
Revenues	17.9	18.7	18.2	16.0	15.6
Net Income	(0.1)	0.6	1.0	0.2	0.4
Cash Flow	0.9	1.8	1.4	0.8	0.5
Funding from Canada					
Budgetary (operating and capital expenditures)	16.9	18.1	17.2	14.8	14.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	207	210	241	240	233

ENTERPRISE CAPE BRETON CORPORATION

Mandate and Background

Enterprise Cape Breton Corporation's (ECBC) mandate is to promote and assist the financing and development of industry on the Island of Cape Breton.

Corporate Profile

The Corporation takes the lead in creating a business environment which fosters sustainable job development and economic growth on Cape Breton Island and the Mulgrove area of Nova Scotia, through proactive and innovative leadership in partnership with the private and public sectors, and other relevant organizations

Corporate Highlights

The 1995-96 fiscal year was a period of change and restructuring for the Corporation. A new Strategic Business Plan was implemented. The Plan represented a major departure from the way in which the Corporation's business had been conducted in the past.

Job creation and the development of enterprises are of paramount importance to the Corporation. During 1995-96, ECBC contributed to the creation of 68 new enterprises and created 929 jobs through various programs and activities. The Careers Cape Breton Program assisted in the creation of 211 seasonal jobs for students.

The tourism industry has been a key focus area for the Island's economic success. In 1995, the tourism sector represented 15 percent of total employment and over 12 percent of the Island's estimated gross domestic product with revenues of $200 million.

During the Louisbourg '95 Celebration, in which the Corporation was involved, the number of tourists increased by 22 percent and they spent over $17 million.

The economy of the Corporation's mandate area is changing. ECBC is focusing its efforts on diversifying the Island's economy from a dependency on the fishery to one that is based on service and knowledge-based industries, with the tourism sector being one of its priorities.

Infrastructure development was undertaken in 1995-96. The largest infrastructure project was financial assistance to the University College of Cape Breton for construction of a teaching centre for heritage and culture. Other infrastructure activities included the Canada/Nova Scotia Infrastructure Works Program involving sewer and water, transportation and technology projects.

The Plan established priority areas and sectors of the economy. Targets were set for jobs and new enterprise creation. The Corporation conducted a major review of its programs and activities. A new slate of programs was adopted, and capital assistance to business was made repayable.

ENTERPRISE CAPE BRETON CORPORATION

Acting Chairperson and Chief Executive Officer	J. David Nicholson
Head Office	P.O. Box 1750 15 Dorchester Street 4th Floor Sydney, Nova Scotia, B1P 6T7 (902) 564-3600 Facsimile: (902) 564-3825
Incorporation and Status	1988; by the *Government Organization Act, Atlantic Canada,* 1987, (S.C. 1988, c. 50); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable John Manley, P.C., M.P. Minister of Industry and Minister for the Atlantic Canada Opportunities Agency, Minister for Western Economic Diversification and Minister responsible for the Federal Office of Regional Development - Québec
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	4.5	4.5	4.4	5.2	7.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	2.7	2.2	2.4	2.5	4.7
Operations					
Revenues	0.9	0.9	1.1	1.1	1.2
Net Income	(14.5)	(15.7)	(9.9)	(12.4)	(18.0)
Cash Flow	(14.3)	(15.1)	(9.9)	(10.1)	(9.4)
Funding from Canada					
Budgetary (operating and capital expenditures)	15.0	15.6	9.8	10.1	10.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	50	41	45	45	50

EXPORT DEVELOPMENT CORPORATION

Mandate and Background

As Canada's official export credit agency, the Export Development Corporation (EDC) helps Canadian exporters compete more effectively in international markets by reducing financial risks in support of export trade. EDC provides credit insurance, loans, guarantees, and other financial services.

EDC benefits from Canada's membership in the Paris Club, an international group formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Rescheduling agreements are coupled with the International Monetary Fund disciplines to alleviate these payment problems. Canada compensates EDC for any financial consequences arising from Canada's participation in multilateral activities to provide debt and debt service reduction.

On June 10, 1993, Royal Assent was given to amendments to EDC's Act which expand its powers to provide assistance to exporters. As a result, Exinvest Inc., a subsidiary holding company, was created in 1995. Exinvest Inc. provides equity financing to leverage private sector capital and increase export support by establishing risk-sharing partnerships between EDC and Canadian exporters.

Corporate Profile

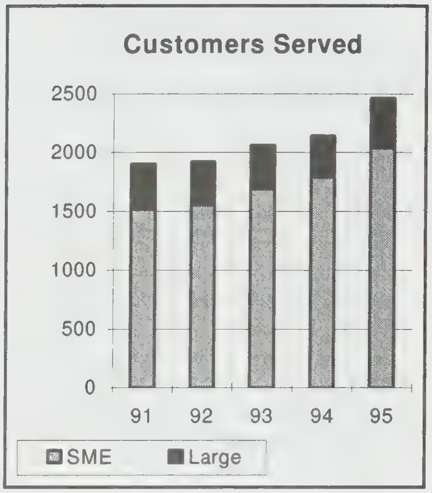
EDC encourages the growth of small- and medium-sized Canadian enterprises (SMEs) by providing financial services to help them compete in the global marketplace. These risk management services include insurance, financing and guarantees.

In addition to its corporate activities, EDC administers the Canada Account - export insurance and financing in support of export transactions considered to be in the national interest but not considered appropriate for EDC's own account.

Corporate Highlights

To deal with the continuing decrease in sovereign loans, increase in commercial loans and complexity of financial arrangements that have significantly changed the risks associated with insuring and financing Canadian exports, EDC has established a new Risk Management Office. The Risk Management Office evaluates loan portfolios on an industry, geographic, and individual transaction basis.

As part of the 1996 Budget Plan, the Government of Canada announced a one-time equity injection of $50 million into EDC. In addition, the government reallocated resources in the Canada Account budgetary reference levels from concessional financing to funding for the provisioning for non-concessional Canada Account financing, as



Source: Export Development Corporation 1995 Annual Report

announced in the March 1996 Federal Budget, which will increase the volume of financing available to Canadian taxpayers. In 1995, as shown in the exhibit, EDC served a record 2,462 Canadian exporters, approximately 85 percent of which were small- and medium-sized enterprises.

EDC's 1994 net income of $171 million was largely due to the Government of Canada agreeing to forgive a portion of Poland's and Egypt's outstanding debts. This agreement was reached as part of the G-7 endeavour to reduce those countries' debt problems. Excluding debt relief revenue, EDC's 1995 net income was $33 million, compared to its 1994 net income of $20 million.

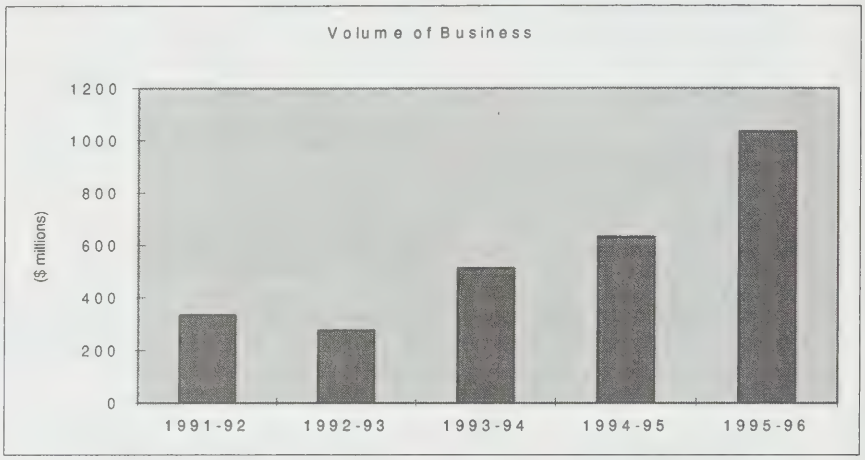
EXPORT DEVELOPMENT CORPORATION

Chairperson	Alexander K. Stuart
President and Chief Executive Officer	Paul E. Labbé
Head Office	Place Export Canada 14th Floor, 151 O'Connor Street P.O. Box 655 Ottawa, Ontario, K1P 5T9 (613) 598-2500 Facsimile: (613) 237-2690 Web Site: http://www.edc.ca
Incorporation and Status	1969; by the *Export Development Act* (R.S.C. 1985, c. E-20) (S.C. 1993, c.26, in force June 10, 1993); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Arthur Eggleton, P.C., M.P. Minister for International Trade
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	9,428.0	9,375.0	9,154.0	8,107.2	7,167.7
Loans from Private Sector	7,602.0	7,660.0	7,624.0	6,746.2	5,913.5
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	1,173.0	1,091.0	895.0	879.2	835.1
Operations					
Revenues	965.0	844.0	699.0	660.3	609.8
Net Income	44.0	171.0	41.0	44.2	32.7
Cash Flow	423.0	298.0	250.0	145.1	190.5
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	148.0	25.0	0.0	0.0	16.2
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	25.0	0.0	0.0
Canada Account					
Financial Position					
Assets Administered for Canada	2,812	2,641	2,333	1,906	1,537
Budgetary Appropriations	152	139	162	185	158
Employment	557	549	541	512	513

FARM CREDIT CORPORATION



Source: Farm Credit Corporation Annual Report 1995-96.

Mandate and Background

The Farm Credit Corporation (FCC) assists Canadian farmers to establish and develop viable farm enterprises by providing long-term credit and other financial services.

FCC's legislative mandate was expanded in 1993 and activities now include aquaculture, agri-forestry and agri-business.

Corporate Profile

The FCC makes mortgage loans to farmers for the purchase of farm land, livestock and machinery, permanent farm improvements and for debt refinancing. FCC also lends to farmers for the acquisition of agricultural facilities and equipment. FCC participates in joint initiatives with provinces and other institutions. The Corporation maintains a corporate office, three regional offices, two service offices and 100 district and field offices.

Corporate Highlights

In 1995-96, the FCC approved a record 10,193 new loans, increasing its lending volume to Canada's agricultural industry to $1.0 billion, as shown in the exhibit. This represents a 63 percent increase over last year's level and a 200 percent increase since 1991-92. Net loan disbursements were a record $932.4 million representing a 47 percent increase over fiscal 1994-95 and well above the 1995-96 target of $689.5 million.

Net income for fiscal year 1995-96 was $40.4 million - lower than last year's $42.7 million. The Corporation declared a $2.7 million dividend on May 29, 1996 which was paid on September 30, 1996. This is the second year the FCC has declared a dividend. A dividend of $4 million was paid on September 30, 1995.

In July 1995, the Corporation introduced a Euro Medium-Term Note program to diversify the Corporation's funding and to allow access to a cost-effective source of international funds. Further offerings are planned for 1996-97.

The FCC has also embarked upon a business process re-engineering initiative with the objective of simplifying and improving its lending processes to new customers' changing demands.

The three-phase approach includes: (a) standardizing processes, developing the foundation for new technology and educating staff; (b) automating processes emphasizing the use of technology; and (c) implementing new technology and completing staff training.

During 1995-96, FCC participated in several joint initiatives with the federal government, provinces and other financial institutions. In March 1996, FCC was authorized, by its minister, to become a participating financial institution for Net Income Stabilization Account (NISA) investments. Farmers investing their NISA accounts with FCC have the opportunity to invest back into agriculture and are assured a 100 percent guarantee on the dollars invested.

FARM CREDIT CORPORATION

Chairperson	Donald W. Black
Chief Executive Officer	C. Gerald Penney
Head Office	1800 Hamilton Street P.O. Box 4320 Regina, Saskatchewan, S4P 4L3 (306) 780-8100 Facsimile: (306) 780-5875
Incorporation and Status	1959; by the *Farm Credit Act* (R.S.C. 1993, c. C-95); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Ralph Goodale, P.C., M.P. Minister of Agriculture and Agri-Food
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	4,371.4	3,986.3	3,773.6	3,623.0	3,687.0
Loans from Private Sector	1,730.9	1,270.3	1,049.9	798.1	813.0
Loans from Canada	2,115.0	2,251.1	2,303.1	2,417.9	2,486.7
Shareholder's Equity	419.8	359.6	316.9	288.6	268.1
Operations					
Revenues	412.4	385.9	373.1	391.9	405.8
Net Income	40.4	42.7	28.3	20.4	21.6
Cash Flow	13.1	63.1	39.1	53.4	42.6
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	220.0	302.0	643.1	265.0	515.5
Payments to Canada					
Loan Repayments	356.1	354.0	760.0	335.7	338.5
Dividends	4.0	0.0	0.0	0.0	0.0
Employment	772	760	760	718	727

FRESHWATER FISH MARKETING CORPORATION

Mandate and Background

The objectives of the Freshwater Fish Marketing Corporation are to market fish in an orderly manner to increase returns to fishers, and to promote international markets for, and increase interprovincial and export trade in, freshwater fish.

The Corporation was created to improve the economic situation of commercial fisheries in Western Canada.

Corporate Profile

The Corporation has the exclusive right to market the products of the commercial fishery from the region it serves and is required by its enabling legislation to operate on a self-sustaining basis. Its products are sold in direct competition with producers from the Great Lakes area as well as competing against other fish products in an open marketplace.

Corporate Highlights

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year.

The Corporation receives no parliamentary appropriation. In 1995-96, revenues increased to $47.1 million compared with $43.7 million in 1994-95.

FRESHWATER FISH MARKETING CORPORATION

Chairperson	Sam Murdock
President and General Manager	Tom Dunn
Head Office	1199 Plessis Road Winnipeg, Manitoba, R2C 3L4 (204) 983-6600 Facsimile: (204) 983-6497
Incorporation and Status	1969; by the *Freshwater Fish Marketing Act* (R.S.C. 1985, c. F-13); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Fred Mifflin, P.C., M.P. Minister of Fisheries and Oceans
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending April 30.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	20.6	17.5	15.9	19.2	22.3
Loans from Private Sector	13.8	10.5	9.4	12.6	10.3
Loans from Canada	0.0	1.0	0.5	0.8	5.4
Shareholder's Equity	4.2	4.2	4.2	4.0	3.8
Operations					
Revenues	47.1	43.7	38.8	45.8	51.5
Net Income	0.0	0.0	0.2	0.2	0.4
Cash Flow	1.2	1.2	1.5	1.7	2.0
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.5	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	1.0	0.0	0.3	4.6	4.5
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	33	38	38	40	42

GREAT LAKES PILOTAGE AUTHORITY, LTD.

Mandate and Background

The Great Lakes Pilotage Authority, Ltd. is mandated to operate, maintain and administer a safe and efficient pilotage service in all Canadian waters in the provinces of Ontario and Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

The Authority co-ordinates its efforts and operations with other organizations such as The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the Canadian Coast Guard and the United States Coast Guard.

Corporate Profile

With the approval of the Governor in Council, the Authority makes regulations that prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

Corporate Highlights

For the fiscal year ending December 31, 1995, the Authority experienced a decrease in revenues and a 21 percent decrease in total pilot assignments. Revenue was $11.3 million in 1995 compared to $13.9 million in 1994; however, an operating profit of $1.3 million was realized. Ocean vessels arriving at St. Lambert Lock also decreased by 154 compared to last year. Cold temperatures and ice forming played a major role in the Authority's losses during the year.

In 1995, the Minister of Transport outlined the government's vision of a new National Marine Policy covering all sectors. The Authority was required to thoroughly review the designated compulsory pilotage areas, licencing and certification standards for pilots, ship masters and officers, exemption criteria for vessels, the need for fair and realistic mechanisms for selecting rates and the absolute requirement to reduce costs.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Authority.

GREAT LAKES PILOTAGE AUTHORITY, LTD.

Chairperson and Chief Executive Officer	Richard G. Armstrong
Head Office	Second Floor 202 Pitt Street P.O. Box 95 Cornwall, Ontario, K6H 5R9 (613) 933-2991 Facsimile: (613) 932-3793
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; incorporated under the *Canada Corporations Act* in May 1972 as a subsidiary of The St. Lawrence Seaway Authority; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	8.3	7.6	2.3	2.9	2.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	3.0	1.7	(2.3)	(2.5)	(3.2)
Operations					
Revenues	11.3	13.9	9.4	8.3	8.0
Net Income	1.3	3.3	0.0	(1.1)	(1.9)
Cash Flow	1.5	3.5	0.3	(0.9)	(1.5)
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.6	0.2	1.9	1.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	81	80	81	89	90

HALIFAX PORT CORPORATION

Mandate and Background

The Halifax Port Corporation administers, manages and controls the Halifax harbour and works and property within the harbour.

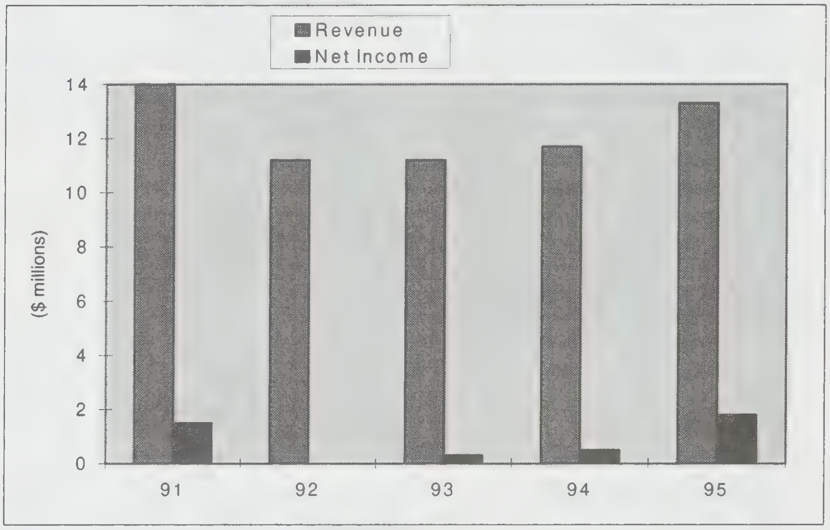
Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Halifax port area.

Corporate Highlights

For the third consecutive year, cargo tonnage handled by the Corporation increased. The Corporation registered a 15.5 percent gain in cargo tonnage compared with the previous year. The increase relates to a significant increase in U.S. midwest traffic due to the opening of the St. Clair Tunnel in April 1995. The Tunnel permits a 12-hour time saving for cargo between Halifax and the U.S. midwest.

In addition to the opening of the St. Clair Tunnel, two new services that began last year contributed to a 22.2 percent increase in containerized cargo bringing total tonnage to 3.1 million. A new Far East export service contributed to an increase in breakbulk cargo by 44.5 percent in 1995. With the new services, the Corporation has added further diversity to its revenue base allowing it to reduce its financial dependency on the volatile container business.



Source: Halifax Port Corporation Annual Report 1995.

The Corporation exceeded its 1994 net income of $0.5 million, raising it to $1.8 million in 1995. As a result of increased cargo volumes and vessel activities, the Corporation recorded an increase in revenues to $13.3 million in 1995 compared with $11.7 million the previous year, as shown in the exhibit.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Corporation.

HALIFAX PORT CORPORATION

Chairperson	Mervyn C. Russell
President and Chief Executive Officer	David F. Bellefontaine
Head Office	Pier 19, 1215 Marginal Road Halifax, Nova Scotia, B3J 2P6 (902) 426-3643 Facsimile: (902) 426-7335 Web Site: http://fox.nstn.ca/mrkting
Incorporation and Status	1984; letters patent of incorporation pursuant to subsection 25 (1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Doane Raymond

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	69.4	67.5	66.3	65.9	68.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	2.7
Shareholder's Equity	65.4	63.6	63.1	62.8	62.8
Operations					
Revenues	13.3	11.7	11.2	11.2	14.0
Net Income	1.8	0.5	0.3	0.0	1.5
Cash Flow	4.3	2.7	2.4	2.3	3.7
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	2.7	0.4
Dividends	0.2	0.0	0.0	0.1	2.2
Employment	63	68	63	88	93

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Mandate and Background

The International Development Research Centre (IDRC) initiates, encourages, supports and conducts research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.

The Centre was created 25 years ago to help resolve, through research carried out by Third World scientists, the problems of poverty in developing countries.

Corporate Profile

The Centre has established the following main program areas: technology and the environment; integrating policies; food systems under stress; information and communication; health and the environment; and biodiversity. Further to the Earth Summit in Rio de Janeiro in June 1992, the activities of IDRC have been broadened to emphasize sustainable development issues.

Corporate Highlights

In 1995, IDRC celebrated its 25th anniversary. The Corporation's parliamentary grant decreased by $15.8 million from $111.9 million in 1994 to $96.1 million in 1995, while the Centre received some $19.6 million in external revenue - an increase of $3.3 million from last year.

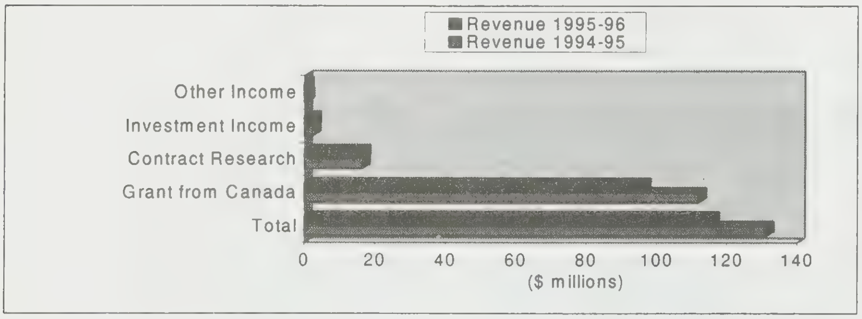
As the exhibit illustrates, the Centre was successful in generating an increased level of revenue from external sources such as consulting and contract management services, participation with other partners in ventures, and royalties from the use of technologies developed.

In 1995-96, IDRC funded a total of $77.9 million in development research. The Centre was also able to reduce its operating expenditures by $3.0 million but the full benefit will only be seen in 1997-98. The cost of restructuring, estimated at $5.5 million, was a charge to the 1995-96 appropriation.

One step in this restructuring is the merging of IDRC's six former divisions into three new branches, accompanied by a significant reduction in the number of employees.

The Centre is moving towards streamlining its programs by targeting funds into critical research initiatives that promise major development benefits and that can leverage funds from other sources.

IDRC's report for fiscal year 1994-95 won the Auditor General's Prize for Excellence in Annual Reporting.



Source: International Development Research Centre 1995-96 Annual Report

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Chairperson	The Honourable Flora MacDonald, P.C.
President and Chief Executive Officer	Keith A. Bezanson
Head Office	3th Floor, 250 Albert Street P.O. Box 8500 Ottawa, Ontario, K1G 3H9 (613) 236-6163 Facsimile: (613) 238-7230 Web Site: http://www.idrc.ca
Incorporation and Status	1970; by the *International Development Research Centre Act*, (R.S.C. 1985, c. I-19); Exempt from provisions of Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Lloyd Axworthy, P.C., M.P. Minister of Foreign Affairs
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	46.3	43.3	41.3	18.1	19.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	20.5	26.0	24.9	0.1	1.9
Operations					
Revenues	117.0	132.5	153.7	127.1	123.5
Net Income	(5.5)	1.1	24.9	1.9	(10.4)
Cash Flow	0.1	2.2	26.6	3.4	(4.5)
Funding from Canada					
Budgetary (operating and capital expenditures)	96.1	111.9	142.0	117.1	115.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	423	470	467	459	563

LAURENTIAN PILOTAGE AUTHORITY

Mandate and Background

The Laurentian Pilotage Authority operates, maintains and administers a safe and efficient pilotage service in the St. Lawrence River between Les Escoumins and the north end of the St. Lambert Lock, and in the Saguenay River and the Chaleur Bay.

Corporate Profile

The Authority, with the approval of the Governor in Council, makes regulations that prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

Corporate Highlights

In 1995 the Authority experienced a 2.6 percent decrease in pilot assignments over the 1994 fiscal year as well as a net loss of $4.2 million. As shown in the exhibit, revenues for 1995 increased to $34.4 million compared to $33.4 million in 1994.

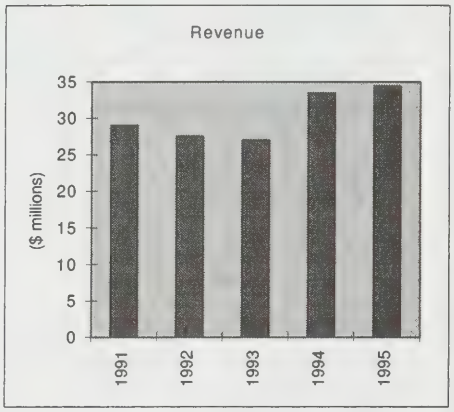
In January 1995, the government approved an amendment to pilot boat pilotage tariffs which became effective on January 1, 1996. This tariff allows the Authority to recover its administrative costs and collect pilotage charges related to pilot boat services.

The Authority negotiated a $2.4 million maximum loan agreement with the National Bank of Canada for the building and acquisition of a new pilot boat for service at Les Escoumins. The initial term of the loan expired on May 31, 1996 at which point, it would be renewed.

The Authority also authorized $854,000 for repairs to the wharf at L'Anse-aux-Basques (Les Escoumins).

In 1995, the Minister of Transport outlined the government's vision of a new National Marine Policy covering all sectors. The Authority was required to thoroughly review the designated compulsory pilotage areas, licencing and certification standards for pilots, ship masters and officers, exemption criteria for vessels, the need for fair and realistic mechanisms for selecting rates and the requirement to reduce costs.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, to the House of Commons. If passed, the legislation would implement the government's National Marine



Source: Laurentian Pilotage Authority 1995 Annual report.

Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Authority.

LAURENTIAN PILOTAGE AUTHORITY

Chairperson	Jean-Claude Michaud
Head Office	6th Floor 715 Victoria Square P.O. Box 680, Stock Exchange Tower Montreal, Quebec, H4Z 1J9 (514) 283-6320 Facsimile: (514) 496-2409
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	10.6	8.1	6.9	7.1	6.9
Loans from Private Sector	1.8	0.4	0.8	1.1	1.4
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.5	0.1	(0.7)	(0.3)	(1.7)
Operations					
Revenues	34.4	33.4	27.0	27.5	29.0
Net Income	(4.2)	(3.2)	(6.0)	(4.9)	(5.1)
Cash Flow	(4.1)	(3.0)	(5.9)	(4.8)	(5.0)
Funding from Canada					
Budgetary (operating and capital expenditures)	4.5	0.0	6.2	6.3	4.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	222	241	245	256	256

MARINE ATLANTIC INC.

Mandate and Background

Marine Atlantic Inc. acquires, establishes, manages and operates a marine transportation service; a marine maintenance, repair and refit service; a marine construction business and any service or business related thereto.

Corporate Profile

Marine Atlantic Inc. provides marine ferry services to Atlantic Canada with 15 company-owned and three chartered ships and operates a ship repair and refit facility in St. John's, Newfoundland.

Corporate Highlights

In 1995, the financial performance of the corporation continued to reflect the trend it has been following over the last five years. During that time, Marine Atlantic has reduced its operating subsidy levels by over $30 million. The parliamentary appropriation for operating and capital requirements in 1995 was $97.1 million.

During the year, Marine Atlantic began the commercialization of its operations. This initiative followed a request, made by the government in late 1994, for a plan outlining options for the commercialization or privatization of Marine Atlantic operations. The resulting plan, aimed primarily at having Marine Atlantic operate with practices, procedures and structures similar to those of a commercial company, was completed and submitted in April 1995.

As a result of this plan and the government's new National Marine Policy, several changes occurred. Among them was the transfer to the provincial government of the operation of Newfoundland's southwest coast passenger and freight service. As well, the company is pursuing a possible employee takeover of the Newfoundland Dockyard Corporation. If such a takeover does not occur, closure of this dockyard is imminent.

Internally, measures taken by the Corporation to become more cost-effective included closing the Halifax corporate office and the in-house law department, by offering voluntary separation packages for management and non-unionized employees and by reducing service on some routes.

A number of executive changes have also occurred. While most of these involved simple realignment of senior management responsibilities, the position of Vice-President of Safety and Regulatory Affairs was also created. The intent is to place an increased emphasis on safety within Marine Atlantic.

The end of the fiscal year saw a major change in the structure of the corporation's board of directors, which has been reduced from fifteen members to eight. Significant changes also occurred over the year in the area of human resources management.

Employees working in the Prince Edward Island service were given career counselling to prepare them for the shutting down of that service. Early retirement allowances were granted to unionized employees of the Newfoundland service as a result of the cost-saving and rationalizing changes being made there. Voluntary departure incentive packages were also offered. In addition, a revised training policy was adopted and the employee incentive award system was maintained. In the immediate future, Marine Atlantic intends to take steps to help all employees adapt to the effects of continuing commercialization.

MARINE ATLANTIC INC.

Chairperson	Moya N. Cahill
President and Chief Executive Officer	Roderick J. Morrison
Head Office	100 Cameron Street Moncton, New Brunswick, E1C 5Y6 (506) 851-3600 Facsimile: (506) 851-3786
Incorporation and Status	1979; by the *Canada Business Corporations Act*. Status and ownership changed as of December 31, 1986 (S.C. 1986, C. 36); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	KPMG Peat Marwick Thorne and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	352.4	396.1	403.1	414.3	448.5
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(12.3)	(13.2)	(13.4)	(13.1)	(3.3)
Operations					
Revenues	95.7	88.6	81.2	77.4	75.6
Net Income	0.9	0.2	(0.3)	(0.3)	(0.4)
Cash Flow	(2.8)	2.1	(3.2)	(0.7)	(9.9)
Funding from Canada					
Budgetary (operating and capital expenditures)	97.1	108.7	128.3	122.8	127.2
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	2,019	2,110	2,127	2,175	2,240

MONTREAL PORT CORPORATION

Mandate and Background

The Montreal Port Corporation administers, manages and controls the Montreal harbour and works and property within the harbour.

Corporate Profile

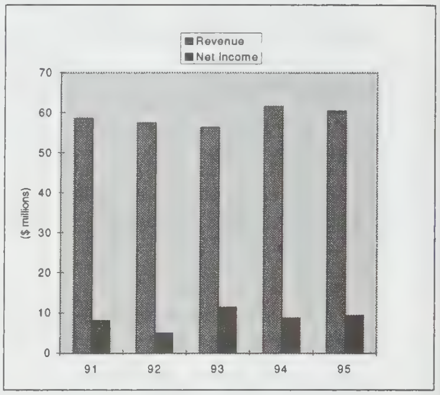
The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Montreal port.

Corporate Highlights

For the sixteenth consecutive year, the Corporation recorded a profit. As illustrated in the exhibit, net income for 1995 was $9.3 million, up from $8.7 million the previous year. Due to a drop in petroleum products, which fell by 22.9 percent to 4.5 million tonnes for 1995, total traffic through the Port decreased by 4.3 percent over last year's. Containerized cargo traffic, however, increased to a new record of 7.1 million tonnes this fiscal year.

In December 1995, the Corporation entered into an agreement with the Maritime Employers Association to create a training centre for longshoremen.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Corporation.



Source: 1995 Montreal Port Corporation Annual Report.

MONTREAL PORT CORPORATION

Chairperson	Raymond Lemay
President and Chief Executive Officer	Dominic J. Taddeo
Head Office	Montreal Port Building Cité du Havre, Wing No. 1 Montreal, Quebec, H3C 3R5 (514) 283-7042 Facsimile: (514) 283-0829 Web Site: http://www.port-montreal.com
Incorporation and Status	1983; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Samson Bélair and Deloitte & Touche

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	243.8	235.4	226.6	222.9	218.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	3.5	4.1	4.7	5.2	5.7
Shareholder's Equity	221.9	214.9	209.3	204.6	201.0
Operations					
Revenues	60.4	61.5	56.3	57.4	58.6
Net Income	9.3	8.7	11.4	5.0	8.1
Cash Flow	20.7	20.4	16.5	15.1	18.4
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.6	0.6	0.5	0.5	0.5
Dividends	2.3	3.1	6.8	1.3	15.0
Employment	349	349	349	401	475

NATIONAL ARTS CENTRE CORPORATION

Mandate and Background

The National Arts Centre Corporation (NAC) operates and maintains the Centre, develops the performing arts in the national capital region and assists the Canada Council in the development of the performing arts elsewhere in Canada.

Corporate Profile

The NAC is a Canadian creative centre for the performing arts and a catalyst for artistic creation in all of the performing arts. The NAC provides multi-disciplinary programming in English and French, and administers and directs the National Arts Centre Orchestra.

Corporate Highlights

The 1994-95 fiscal year was one of transition for the NAC. During that time, the Corporation undertook a process of reassessment and renewal with a view to interpreting the mandate in ways that will fit the needs and opportunities of the coming years.

A key component of this reassessment process was the release, in June 1995, of a statement of the NAC's purpose and strategic direction. This statement confirmed the Corporation's adherence to its founding ideals and indicated an expanded emphasis on partnerships as a means of sustaining and enriching NAC activities. The resulting strategy included commitments to consolidate support and involvement in the local community, to renew relationships with artists and audiences, to maintain artistic excellence, and to extend NAC activity throughout Canada.

During the year, the Corporation continued to fulfil its commitments to developing music, theatre and dance, to co-producing and commissioning new works and to presenting educational and in-school activities.

The year's highlight in the area of musical programming was a tour by the National Arts Centre Orchestra covering 15 cities in seven European countries. In addition, several new musical series offerings were introduced in Canada. These included light classics, and a baroque and "pops" series. Concerts saw an average attendance of 81 percent of capacity with total revenues of $3.1 million.

In the area of dance and special projects, the NAC continued to showcase a wide variety of dance styles and companies ranging from classical to contemporary. In the classical area, the Corporation presented the Royal Winnipeg Ballet and the National Ballet of Canada performing to near full houses. Companies from the United States and Europe also performed. The average attendance to capacity ratio for dance and special projects was 78 percent, with total revenues of $1.7 million.

The English Theatre season saw stage productions of both comedy and serious drama as well as several one-person shows. The average attendance to capacity ratio was 73 percent with total revenues of $1.5 million.

As has been traditional at the NAC, three French theatre subscription series were presented in 1994-95.

The NAC also hosted the Rendez-vous de l'Association nationales des théatres francophones hors-Québec. In addition, there were three subscription series for young people aged 4 and up. The average attendance to capacity ratio for these performances was 71 percent, with total revenues of $460,268.

Many performances staged at the Centre were presented by companies or individuals who were renting its facilities. The average attendance to capacity ratio for these performances was 70 percent, with total revenues of $1.9 million.

In the 1995 fiscal year, revenues increased to $17.7 million compared to $15.2 million in 1994. Expenses exceeded revenues by $20.4 million.

NATIONAL ARTS CENTRE CORPORATION

Chairperson	Jean Thérèse Riley
Chief Executive Officer	John Cripton
Head Office	53 Elgin Street P.O. Box 1534, Station B Ottawa, Ontario, K1P 5W1 (613) 996-5051 Facsimile: (613) 996-9578
Incorporation and Status	1966; by the *National Arts Centre Act* (R.S.C. 1985, c. N-3); Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty. A charitable organization for the purposes of the Income Tax Act.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending August 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	19.4	20.0	17.6	16.5	17.5
Loans from Private Sector	0.3	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	10.4	10.1	9.8	9.2	8.4
Operations					
Revenues	17.7	15.2	14.8	18.7	16.7
Net Income	(20.4)	(21.7)	(21.5)	(21.0)	(20.0)
Cash Flow	(17.8)	(19.1)	(18.9)	(18.3)	(17.6)
Funding from Canada					
Budgetary (operating and capital expenditures)	15.6	24.2	21.5	19.7	24.2
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	262	285	281	307	310

NATIONAL CAPITAL COMMISSION

Mandate and Background

The National Capital Commission (NCC) prepares, plans for and assists in the development, conservation and improvement of the national capital region.

Corporate Profile

The NCC focusses on providing leadership in the promotion of national pride and unity through the capital and its region; developing innovative programming and messages; and by implementing a responsible business approach to NCC operations.

Corporate Highlights

In 1995-96, the NCC underwent a major restructuring in response to a sharp decline in government appropriations. Parliamentary appropriations for 1995-96 were $90.6 million which represents a decrease of $11.5 million from the 1994-95 total of $102.1 million.

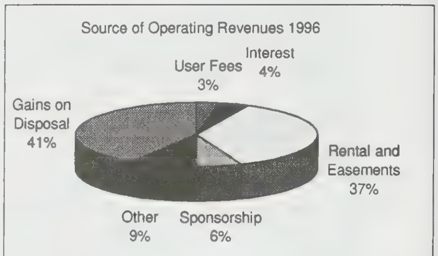
The creation of six Employee Takeover Corporations in April 1996 is the first of a series of changes that will reduce the NCC to half of its former size within the next several years.

The employee takeover initiative is one of several mechanisms that were proposed in the 1994 *Strategic Action Plan*. The strategy adopted in that plan, and approved in the 1995 Budget, also specifies the rationalization of land assets as an important area of endeavour. It refers to the development of a year-round program of nationally significant events. It pinpoints the development and application of technological solutions to conditions prevailing in a "transformed management environment." By "working smarter," the NCC has committed to reducing costs while remaining in control of newly commercialized operations.

In 1995-96, several specific programs devolved from the strategic action plan. A revised *Plan for Canada's Capital* has been completed in draft form and is ready for discussion with NCC's federal partners. This document sets out how the NCC will develop and use its land in the future.

As well, the Corporation has completed its master plan for the "Greenbelt."

In 1990, an NCC task force identified "municipal-like" assets that could be more appropriately managed by other levels of government and, in 1995-96, the Corporation began the process of transferring those assets. A national commemoration of the 50th anniversary of the end of the Second World War was also sponsored by the NCC during the fiscal year. This event won gold medals from the International Festival Association and from *Marketing Magazine*.



Source: National Capital Commission Annual Report 1995-96.

The Corporation also undertook activities designed to protect Canada's heritage in the region. These included returning NCC headquarters to its original historical integrity and restoring one of the few remaining Victorian walled gardens in Canada. The NCC received awards for both endeavours. In addition, the Canadian Ski Council recognized Gatineau Park as offering one of the best winter sports programs in the country.

In 1995-96, the NCC attracted $2.4 million worth of sponsorship support. This amount was twice that of the previous year. Volunteer contributions grew by 20 percent.

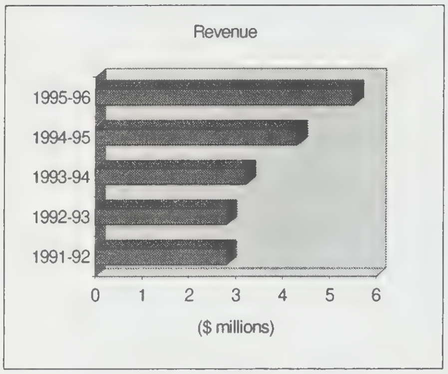
NATIONAL CAPITAL COMMISSION

Chairperson	Marcel Beaudry
Executive Vice-President and General Manager	Roger Légaré
Head Office	202-40 Elgin Street Ottawa, Ontario, K1P 1C7 (613) 239-5555 Facsimile: (613) 239-5039
Incorporation and Status	1958; by the *National Capital Act* (R.S.C. 1985, c. N-4); Amended in 1988 (S.C. 1988, c. 54); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	407.2	377.7	369.9	362.5	365.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	355.2	327.9	330.0	330.2	336.3
Operations					
Revenues	36.1	24.0	21.6	24.0	41.0
Net Income	10.5	(17.5)	(12.8)	(12.7)	8.2
Cash Flow	8.6	(7.6)	(3.1)	(4.0)	(0.1)
Funding from Canada					
Budgetary (operating and capital expenditures)	90.6	102.1	89.5	89.7	89.9
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	502	740	802	727	765

NATIONAL GALLERY OF CANADA



Source: National Gallery of Canada Annual Report 1995-1996.

Mandate and Background

Founded in 1880, the National Gallery of Canada has a mandate to develop, maintain and make known, throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive, reference to Canada, and to further the knowledge, understanding, and enjoyment of art in general among all Canadians.

Corporate Profile

The Gallery carries out its mandate through four broad activity areas: adding to and preserving the collections of works of art; educating and communicating; housing and protecting the collections, visitors and staff; and managing the staff and resources of the Gallery.

The National Gallery also operates the Canadian Museum of Contemporary Photography.

Corporate Highlights

The Gallery received over 600,000 visitors - more than in any other year except 1988 when the Gallery reopened in its new building. Attendance at the Canadian Museum of Contemporary Photography also increased by 5.6 percent over last year's figure.

The Gallery has been successful in re-establishing and strengthening its national program of travelling exhibitions. In 1990-91, the Gallery presented 4 travelling exhibitions in 5 venues and, in 1995-96, presented 11 travelling exhibitions at 22 venues.

When attendance at the Gallery and the Canadian Museum of Contemporary Photography is combined with visitors to the travelling exhibitions, over 1 million saw works from Canada's public art collections.

Revenues increased by 29 percent from $4.3 million in 1994-95 to $5.5 million in 1995-96, as shown in the exhibit.

In January 1996, the Corporation opened its own Web site and received 15,000 visitors. Due to external technical problems, progress on the CD-ROM catalogue of the Canadian collection was temporarily interrupted, thus advancing the completion date to 1997.

Acquisitions are made through gifts and purchases and are the basis for the Gallery's exhibitions and loans. Acquisitions by gifts amounted to 90 works of art with an approximate value of $11 million and 278 works of art by purchases approximating a $4 million value.

NATIONAL GALLERY OF CANADA

Chairperson	Jean-Claude Delorme
Chief Executive Officer	Shirley L. Thomson
Head Office	380 Sussex Drive P.O. Box 427, Station "A" Ottawa, Ontario, K1N 9N4 (613) 990-1985 Facsimile: (613) 990-9810 Web Site: http://national.gallery.ca
Incorporation and Status	July 1, 1990; by the *Museums Act* (S.C. 1990, c. 3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	19.7	19.0	17.4	18.4	20.7
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	10.5	7.9	8.5	9.4	9.9
Operations					
Revenues	5.5	4.3	3.2	2.8	2.8
Net Income	(31.8)	(34.4)	(29.6)	(29.8)	(31.3)
Cash Flow	(30.6)	(32.7)	(27.9)	(27.7)	(29.0)
Funding from Canada					
Budgetary (operating and capital expenditures)	34.4	34.4	28.7	29.3	31.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	276	285	284	286	213

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

Mandate and Background

Under the *Museums Act*, the National Museum of Science and Technology (NMST) fosters scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technological objects, with special, but not exclusive, reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The National Museum of Science and Technology was founded in 1967.

Corporate Profile

The Museum preserves Canada's science and technological heritage and disseminates knowledge of that heritage. The Corporation manages its two major institutions - the National Museum of Science and Technology and the National Aviation Museum as separate entities. As well, the Museum manages the Agriculture Museum at Ottawa's Central Experimental Farm.

Corporate Highlights

In February 1995, the government announced its budget plans, including the results of its government-wide Program Review. As a consequence of the government's review, the Corporation is faced with a major reduction in its appropriation, to be phased in over a three-year period. In order to minimize the overall effect of the reductions, the Corporation initiated a plan to restructure the organization within the reduced budgetary framework. Implementation of the plan is on target, but the plan will be revised early in 1996-97 to accommodate the further reduction for 1998-99, announced in the February 1996 federal Budget.

To compensate, the Corporation has increased its efforts to generate revenue through admission fees, the sale of products and services, sponsorship and donations as well as by soliciting for volunteers and members.

Targets for each area of revenue generation were met or exceeded, except for sponsorship, in 1996. Overall attendance at the Corporation's Museums has remained stable for the last year, attracting 657,540 visitors.

The Corporation enriched its artifact collection with transfers from the Canadian National Railway, the Marconi Company and the Royal Canadian Mounted Police. The National Research Council transferred the Canadian Science and Engineering Hall of Fame gallery. The Shay locomotive restoration was completed and the prototype DHC-6 "Twin Otter" aircraft was assembled for display. Planning for improved artifact storage continued with the implementation of a new environmental standards package.

Exhibit renewal continued to be a primary focus and resulted in the near completion of one new long-term exhibit, "Love, Leisure and Laundry," and the opening of the South Wall Galleria. In addition, twelve smaller, temporary exhibits were presented. The National Aviation Museum presented three new exhibits and opened partial regular access to the aircraft storage area.

The Corporation also signed a three-year agreement with Agriculture and Agri-Food Canada, enabling the Corporation to manage four buildings, five acres of land and the showcase herds of the Central Experimental Farm as part of the Agriculture Museum.

A World Wide Web site for each Museum was launched early in 1996, and the National Aviation Museum launched its new CD-ROM, *Flypast.*

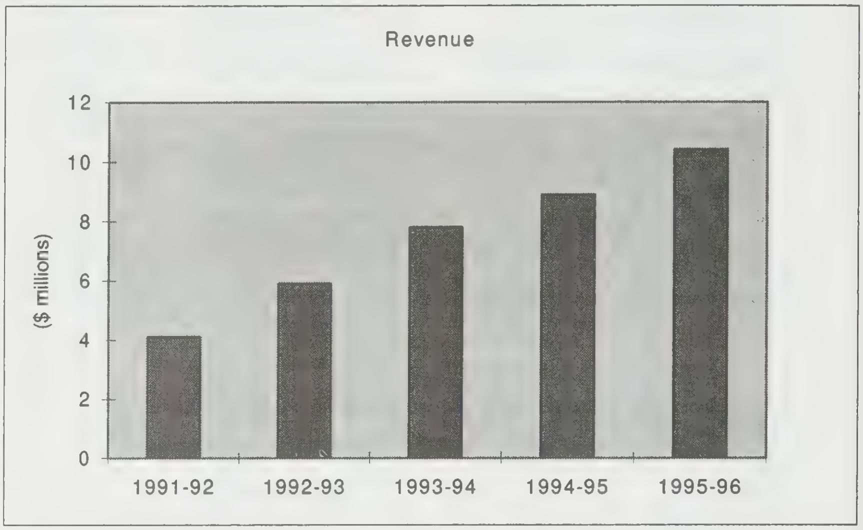
NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

Chairperson	David W. Strangway
Director	Geneviève Sainte-Marie
Head Office	2380 Lancaster Road P.O. Box 9724, Station T Ottawa, Ontario, K1G 5A3 (613) 991-3044 Facsimile: (613) 990-3636
Incorporation and Status	1990, by the *Museums Act* (S.C. 1990, c. 3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Sheila Copps, P.C., M.P. Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	11.0	9.7	9.3	9.4	10.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	7.1	5.3	6.1	5.4	5.5
Operations					
Revenues	3.3	3.0	2.2	1.6	1.0
Net Income	(19.0)	(21.7)	(15.5)	(16.2)	(16.6)
Cash Flow	(18.0)	(20.6)	(14.6)	(15.0)	(15.5)
Funding from Canada					
Budgetary (operating and capital expenditures)	20.8	20.9	16.2	16.1	17.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	220	225	218	227	184

OLD PORT OF MONTREAL CORPORATION INC.



Source: Old Port of Montreal Corporation Inc. 1995-96 Annual Report.

Mandate and Background

The Old Port of Montreal Corporation Inc. promotes the development of the lands of the Old Port of Montreal and develops, administers, manages and maintains Crown property in that location.

The Corporation is a wholly-owned subsidiary of the Canada Lands Company Limited, but has been directed to report as a parent Crown corporation.

Corporate Profile

The Corporation, in consultation with the public and other levels of government, plans for the development of the Old Port site. The impetus for starting the development of the Eastern Sector, opposite Faubourg Québec, would be the rehabilitation of the historic Cold Storage Warehouse building. The Corporation continues to seek new partnerships with the private sector. Some of the activities organized and housed by the Corporation include the Imax Theatre, the Just for Laughs comedy festival, the Cirque du Soleil, the Clock Tower Pier, and the Cite-du-Havre Park.

The Old Port is an important component of the regional tourism industry.

Corporate Highlights

In January 1995, the Corporation launched its ongoing Vision 2002 project, a process of reorganization and redefinition of its corporate mission.

For the first time, the Corporation organized a contemporary art scene in Montreal - Skulptura Montréal '95 giving free and unrestricted access to some major works by contemporary sculptors.

Other key projects of the Corporation's Vision include the building of a permanent showcase, which would be known as Expotec-Canada. This showcase would be done in partnership with private business to educate the public about Canadian and especially Montreal high technology.

In 1995-96, the Old Port had its best year ever in attendance at the Imax theatre, increasing by 32 percent over the previous year. As a result, the Corporation's self-financing rate peaked at an historic 85 percent. General attendance at the Old Port site increased by 11 percent from 4.45 million in 1994-95 to 5 million persons between May and October.

1995-96 saw a 5.1 percent increase in total sales by the Corporation and its partner promoters. Operating expenses also increased due to record attendance at the Imax and the addition of the Skulptura Montréal '95 event.

During the past five years, as shown in the exhibit, revenues have been steadily increasing. In 1995-96, revenues increased to $10.4 million from $8.9 million in fiscal 1994-95.

OLD PORT OF MONTREAL CORPORATION INC.

Chairperson	Bernard Lamarre
President and Chief Executive Officer	Pierre Émond
Head Office	333 rue de la Commune West Montreal, Quebec, H2Y 2E2 (514) 283-5256 Facsimile: (514) 283-8423 Web Site: http://www.svpm.ca
Incorporation and Status	1981; under the *Canada Business Corporations Act.* A wholly-owned subsidiary of Canada Lands Company Limited; directed by Order in Council (P.C. 1987-86) to report as if it were a parent Crown corporation; An agent of Her Majesty.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	2.1	2.0	4.0	8.0	16.5
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	10.4	8.9	7.8	5.9	4.1
Net Income	(2.3)	(3.6)	(5.0)	(22.3)	(42.5)
Cash Flow	(2.6)	(2.3)	(3.2)	(3.8)	(3.9)
Funding from Canada					
Budgetary (operating and capital expenditures)	3.5	3.0	9.7	21.5	40.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	72	69	67	74	64

PACIFIC PILOTAGE AUTHORITY

Mandate and Background

Established in 1972, the Pacific Pilotage Authority operates, maintains and administers a safe and efficient pilotage service in the coastal waters of British Columbia.

Corporate Profile

The Authority provides pilotage services to the British Columbia region. With the approval of the Governor in Council, it has the power to make regulations in order to meet its objectives. These regulations may prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

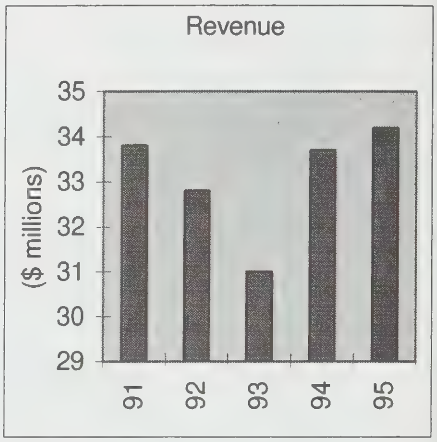
Corporate Highlights

Effective February 1, 1996, the Authority initiated a tariff increase of 1.5 percent. Although assignments dropped by 6.0 percent, total revenue for 1995 was $34.2 million, a 1.6 percent increase over the preceeding year, as shown in the exhibit. This was largely due to a tariff increase of 5.5 percent which had come into effect on December 1, 1994.

Over the past three years, the Fraser River assignments have continued to follow a downward trend, declining to an all-time low of 702 during 1995. This represents a decrease of 19.9 percent from 1994. The Fraser River operation is currently under review.

In 1995, the Minister of Transport outlined the government's vision of a new National Marine Policy covering all sectors. The Authority was required to thoroughly review the designated compulsory pilotage areas, licencing and certification standards for pilots, ship masters and officers, exemption criteria for vessels, the need for fair and realistic mechanisms for selecting rates and the absolute requirement to reduce costs.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation could have a significant impact on the Authority.



Source: 1995 Pacific Pilotage Authority Annual Report.

PACIFIC PILOTAGE AUTHORITY

Chairperson	Dennis B. McLennan
Head Office	Suite 300 1199 West Hastings Street Vancouver, British Columbia, V6E 4G9 (604) 666-6771 Facsimile: (604) 666-1647
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	5.6	6.4	7.9	8.0	6.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	2.2	3.3	4.9	4.8	3.1
Operations					
Revenues	34.2	33.7	31.0	32.8	33.8
Net Income	(1.1)	(1.6)	0.1	1.7	1.3
Cash Flow	(0.9)	(1.4)	0.3	1.9	1.4
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	170	168	171	173	168

PETRO-CANADA LIMITED

Mandate and Background

Petro-Canada Limited (PCL) was the parent Crown corporation of Petro-Canada which was privatized in July 1991. Upon privatization, Petro-Canada refinanced its previously government-backed debt, with the proceeds going to PCL. PCL continues in existence to settle the outstanding Petro-Canada bonds as they mature.

Corporate Profile

PCL holds a portfolio of high quality securities whose principal and interest payments match or closely match the Corporation's obligations on the outstanding bonds.

Corporate Highlights

In 1995, PCL's operations were limited in scope. They involved managing an investment portfolio of U.S. government and agency securities, and Export Development Corporation notes. These securities, making up about 99 percent of the portfolio, are considered to be risk free. The remaining 1 percent consists of provincial government securities. Operations also encompassed the Corporation's meeting of its obligations on the U.S. $351,469,000 worth of outstanding bonds.

In 1995, PCL had net earnings of $1 million. Cash and short-term deposits were $3 million at December 31, 1995.

PETRO-CANADA LIMITED

Chairperson	Bob Hamilton
President	Joy F. Kane
Head Office	c/o Department of Finance L'Esplanade Laurier 140 O'Connor Street Ottawa, Ontario, K1A 0G5
Incorporation and Status	1975; by the *Petro-Canada Act* (R.S.C. 1985: c. P-11); continued as Petro-Canada Limited on February 1, 1991, under the *Petro-Canada Public Participation Act*; Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Paul Martin, P.C., M.P. Minister of Finance
Auditor	Arthur Andersen & Co. and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	524.0	554.0	526.0	519.0	989.0
Loans from Private Sector	479.0	505.0	479.0	460.0	952.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	2.0	1.0	0.0	7.0	4.0
Operations					
Revenues	43.0	45.0	42.0	146.0	160.0
Net Income	1.0	1.0	1.0	3.0	4.0
Cash Flow	1.0	1.0	1.0	3.0	4.0
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	8.0	0.0	0.0
Employment	0	0	0	0	0

PORT OF QUEBEC CORPORATION

Mandate and Background

The Port of Quebec Corporation administers, manages and controls the Quebec City harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Quebec City harbour. The Port of Quebec is the oldest port in the North American market.

Corporate Highlights

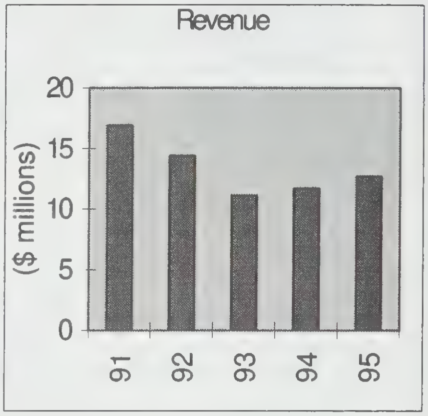
The 1995 fiscal year marked a record year for the shipment of scrap metal, with an increase of 26 percent compared to 1994. The Port handles more scrap metal than any other port on the St. Lawrence River and in eastern Canada.

The Port handled a total tonnage of 17.6 million tonnes representing a 10.5 percent increase from 1994 and marking the highest volume since 1991. The volume of grain handled by the Corporation also had a major increase of 25 percent, reaching 3.7 million tonnes despite the emergence of Asian markets and the financial problems of Russia which have had a negative impact on the shipment of grain.

The total number of cruise ship passengers to the Port in 1995 was 38,991 - a 7 percent increase from the previous year.

Total operating revenues for the 1995 fiscal year totaled $12.3 million compared to $11.4 million in 1994, as shown in the exhibit. Net income reached $35,000 compared to a net loss of $2 million the previous year.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Corporation.



Source: Port of Quebec Corporation Annual Report 1995.

PORT OF QUEBEC CORPORATION

Chairperson	René Paquet
President and Chief Executive Officer	Ross Gaudreault
Head Office	150 Dalhousie Street P.O. Box 2268 Quebec City, Quebec, G1K 7P7 (418) 648-3558 Facsimile: (418) 648-4160
Incorporation and Status	1984; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	61.6	61.8	64.1	64.8	62.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	52.3	52.3	54.3	57.1	58.1
Operations					
Revenues	12.7	11.7	11.1	14.4	16.9
Net Income	0.0	(2.0)	(2.9)	1.0	1.5
Cash Flow	3.0	1.2	0.4	2.0	4.6
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	73	88	88	96	94

PRINCE RUPERT PORT CORPORATION

Mandate and Background

The Prince Rupert Port Corporation administers, manages and controls the Prince Rupert harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Prince Rupert harbour.

Corporate Highlights

A significant event for the Port in 1995 was the elimination of the *Western Grain Transportation Act* subsidies for the shipment of grain effective August 1, 1995. This resulted in the loss of west coast port parity and now the Port is perceived as the higher cost Canadian route for the export of west coast grain, based on existing pricing structures.

Traffic at the Port in 1995 totalled 11.5 million tonnes. This represents a decrease of 17.6 percent from 1994.

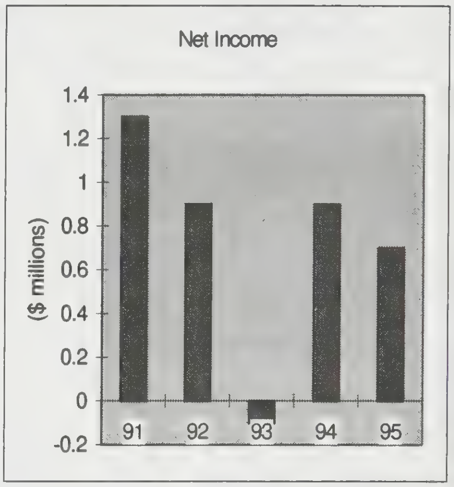
Lumber shipments increased 20 percent over 1994 to 345,000 tonnes. Pulp traffic was up 42 percent over 1994 levels to 59,000 tonnes.

Ferry and cruise passenger traffic through the Port was up one percent to 187,000 passengers.

The 1995 financial results show revenues of $13.7 million - a marginal increase from the prior year's $13.2 million. Net income dropped slightly to $657,000, as shown in the exhibit.

The government has requested parliamentary authority to forgive approximately $5 million in federal debt owed by the Corporation.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Corporation.



Source: Prince Rupert Port Corporation 1995 Annual Report.

PRINCE RUPERT PORT CORPORATION

Chairperson	Peter J. Lester
President and Chief Executive Officer	Donald H. Krusel
Head Office	10 Third Avenue West Prince Rupert, British Columbia, V8J 1K8 (604) 627-7545 Facsimile: (604) 627-7101
Incorporation and Status	1984; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	111.7	111.6	111.7	111.5	114.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	15.3	15.8	16.2	16.5	68.7
Shareholder's Equity	95.0	94.4	93.5	93.6	44.5
Operations					
Revenues	13.7	13.2	13.5	14.3	15.4
Net Income	0.7	0.9	(0.1)	0.9	1.3
Cash Flow	3.0	3.3	2.3	3.4	3.7
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	48.3	0.0
Payments to Canada					
Loan Repayments	0.4	0.4	0.4	53.2	0.3
Dividends	0.0	0.0	0.0	0.1	0.2
Employment	17	17	17	16	19

QUEENS QUAY WEST LAND CORPORATION

Mandate and Background

Queens Quay West Land Corporation operates, manages, maintains and develops the Harbourfront site in Toronto. Since 1994-95, the Corporation's mandate had been to ensure the disposition of its remaining assets in an orderly fashion and to fulfil all its obligations with a view to dissolving the Corporation by March 31, 1996.

Corporate Profile

Queens Quay West Land Corporation has been pursuing an orderly transition of its affairs and is set to transfer its remaining assets, liabilities, obligations and operations to the Canada Lands Company Limited.

Corporate Highlights

The Corporation was expected to have been dissolved by January 31, 1996, at which time remaining assets and liabilities would be transferred to the Canada Lands Company Limited. However, a Facilitator has been appointed to review alternate sources of funding for the Habourfront Centre. Consequently, the dissolution of the Corporation has been temporarily delayed until a report of the Facilitator has been tabled.

QUEENS QUAY WEST LAND CORPORATION

Chairperson and President	David Ellis
Head Office	200 King Street West Suite 1509 Toronto, Ontario, M5H 3T4 (416) 974-9700 Facsimile: (416) 974-9275
Incorporation and Status	1936; as Terminal Warehouses Ltd. under the *Ontario Companies Act*; July 14, 1978, as Harbourfront Corporation, under the *Business Corporations Act of Ontario*; continued under the *Canada Business Corporations Act*, December 21, 1984; Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	KPMG Peat Marwick Thorne and the Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	5.8	8.5	23.5	23.6	24.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	45.8	45.8	45.8	25.1	14.7
Shareholder's Equity	(42.5)	(39.9)	(26.0)	(8.5)	5.9
Operations					
Revenues	3.0	3.6	3.8	4.4	6.1
Net Income	(2.6)	(14.9)	(8.2)	(2.3)	1.4
Cash Flow	(2.6)	(14.9)	(8.2)	(2.3)	1.5
Funding from Canada					
Budgetary (operating and capital expenditures)	7.5	9.8	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	20.7	10.4	12.5
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	0	6	5	6	6

ROYAL CANADIAN MINT

Mandate and Background

The Royal Canadian Mint mints coins in anticipation of profit and carries out other related activities.

Founded in 1908 as a branch of the Mint of the United Kingdom, its operations were devolved to the Crown in right of Canada in 1931. Initially a departmental agency of the government, it was incorporated by legislation in 1969. In 1989, a share capital structure was created for the Mint and shares were issued to Canada.

Corporate Profile

The Mint is responsible for minting the nation's circulation coins and also offers a wide range of specialized, high quality coinage products and related services on an international scale.

Two minting plants are in operation; the Winnipeg plant concentrates on the high volume production of Canadian and foreign circulation coins, tokens and trade dollars while the Ottawa plant mints Canadian and foreign numismatic coins, medals and precious metal coins. The Ottawa refinery handles a major portion of Canada's gold production.

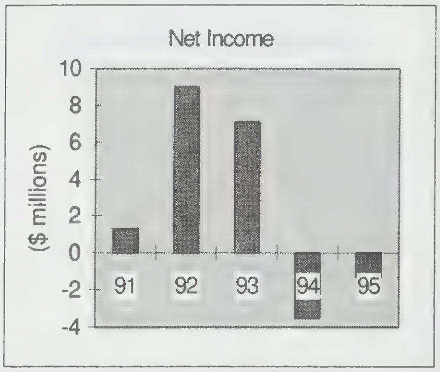
Corporate Highlights

In 1995, the Mint adopted a Turn Around Plan which set out strategies and actions aimed at revenue generation, cost control, overhead reduction and investing in people and equipment. The Turn Around Plan forecast a 1995 loss before income tax of $2.6 million.

As a result of the strategies and actions adopted in the Plan, the Mint's 1995 loss before income tax of $1.2 million (1994 - $3.4 million loss) was $1.4 million better than forecast - a 55 percent improvement over plan. Productivity improvements contributed to an increase in gross profit as a percent of revenue to 9.7 percent (1994 - 8.4 percent). Export sales increased by 4 percent to 68 percent of total sales. As a result of the Turn Around Plan, the Mint entered 1996 as a more flexible organization, more responsive to the market and oriented to client service.

A significant achievement in 1995 was the development of the two dollar coin. Consistent with the government's overall cost reduction strategy and its effort to reduce the national deficit, the Mint produced a two dollar coin to replace the circulating note. Anticipated savings of some $250 million over the next 20 years is attributed to the 20-year life span of the coin versus the average one-year life span for the note. Canadian taxpayers expressed strong support with a 79 percent approval rate. The Mint also built on its reputation for technological innovation by developing a locking mechanism for linking two metals in the new coin.

The 1995 International German Coin Convention honoured the Mint with the "Coin of the Year Award" in recognition of the 1994 22-Karat Gold Anne of Green Gables Coin. The Canadian Direct Marketing Association honoured the Mint with three prestigious awards for its efforts.



Source: The Royal Canadian Mint 1995 Annual Report.

New, more environmentally safe and cost effective ways of working were achieved through employee involvement and participation. The sales department reorganized according to world regions to provide better, complete customer service. The marketing department implemented a new plan for market research and product testing so that products are now even more targeted to meet an identifiable demand.

ROYAL CANADIAN MINT

Chairperson	José Blanco
President	Danielle V. Wetherup
Head Office	320 Sussex Drive Ottawa, Ontario, K1A 0G8 (613) 993-3500 Facsimile: (613) 952-8342 Web Site: http://www.rcmint.ca
Incorporation and Status	1969; by the *Royal Canadian Mint Act* (R.S.C. 1985, c. R-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Diane Marleau, P.C., M.P. Minister of Public Works and Government Services
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	90.7	82.5	92.8	102.7	99.8
Loans from Private Sector	6.4	0.0	0.0	0.0	0.0
Loans from Canada	0.2	2.8	5.5	8.2	10.9
Shareholder's Equity	59.3	60.6	69.1	68.3	60.0
Operations					
Revenues	310.6	310.4	356.8	378.0	298.2
Net Income	(1.3)	(3.5)	7.1	9.0	1.3
Cash Flow	1.7	(0.6)	9.9	12.0	4.4
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	2.7	2.7	2.7	2.7	2.7
Dividends	0.0	5.0	6.3	0.7	6.3
Employment	550	563	610	763	667

SAINT JOHN PORT CORPORATION

Mandate and Background

The Saint John Port Corporation administers, manages and controls the Saint John harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Saint John harbour.

Corporate Highlights

The Corporation had an 11 percent reduction this fiscal year in the total traffic, to 18.7 million tonnes, largely as a result of a decline in crude oil and petroleum shipments.

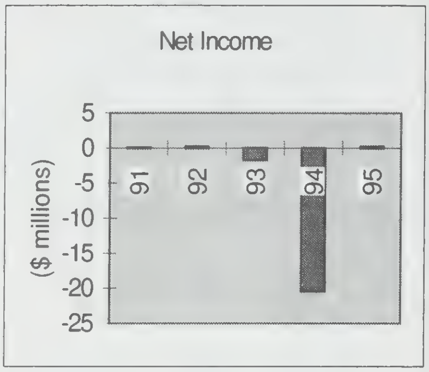
In the area of forest products, traffic increased by 18 percent, reaching a high of 525,000 tonnes.

In 1995-96, the Corporation has accomplished a number of projects to enhance the port's position. These include the installation of a closed circuit television system to further improve safety and security, as well as major maintenance projects.

The Corporation achieved its highest level of net income in several years, as shown in the exhibit. Also, interest payments of $2.1 million on the Corporation's federal debt was partially offset by investment income of $465,000 to yield a positive net income.

The government has requested parliamentary authority to forgive approximately $18 million in debt which would be complemented by a $19 million debt forgiveness by the province, for a total of $37 million, to ensure the Corporation's financeability when converted to a Canada Port Authority (CPA).

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Corporation.



Source: 1995 Saint John Port Corporation Annual Report.

SAINT JOHN PORT CORPORATION

Chairperson	Peter S. Glennie
General Manager and Chief Executive Officer	Captain Alwyn Soppitt
Head Office	133 Prince William Street P.O. Box 6429, Station A Saint John, New Brunswick, E2L 4R8 (506) 636-4869 Facsimile: (506) 636-4443 Web Site: http://www.mi.net/port/port.html
Incorporation and Status	1986; letters patent pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Ernst & Young

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	64.1	64.1	84.5	88.5	89.2
Loans from Private Sector	19.7	19.7	19.7	19.7	19.7
Loans from Canada	18.1	18.1	18.1	20.1	20.8
Shareholder's Equity	24.0	23.9	44.2	45.9	45.8
Operations					
Revenues	12.6	12.5	12.1	12.0	12.4
Net Income	0.2	(20.4)	(1.7)	0.2	0.1
Cash Flow	1.8	1.8	1.3	3.0	3.0
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.5	0.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	2.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	36	36	36	48	55

ST. JOHN'S PORT CORPORATION

Mandate and Background

The St. John's Port Corporation administers, manages and controls the St. John's harbour and works and property within the harbour.

Corporate Profile

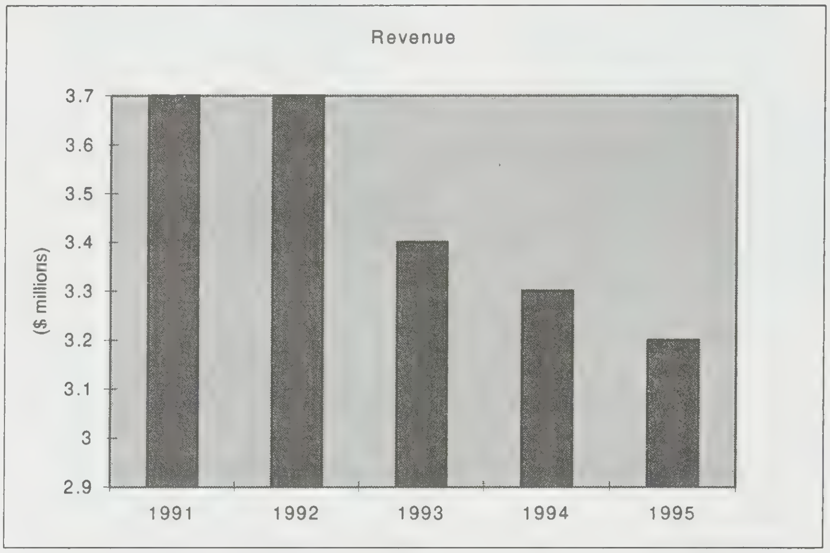
The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the St. John's harbour.

Corporate Highlights

The Corporation recorded an 8.1 percent decrease in total volume of cargo handled in the 1995 fiscal year. Total port traffic amounted to 866,191 tonnes in 1995, compared to 942,397 tonnes in 1994. Containerized cargo fell by 5.9 percent compared to the previous year.

Net earnings for 1995 of $354,000 were slightly below those of the previous year.

Two major announcements were made in 1995 regarding offshore oil development and exploration. A five-year $20 million offshore base contract was awarded by Hibernia Management and Development Company Limited to a St. John's company for the provision of shore-base support services to the Hibernia development project. The base will be fully operational by 1997.



Source: St. John's Port Corporation Annual Report 1995.

Secondly, Petro-Canada and its partners in the Terra Nova project recently announced they are proceeding with the preparation of a development plan application for submission to the Canada-Newfoundland Offshore Petroleum Board. The Terra Nova oilfield is located approximately 350 kilometres from St. John's. St. John's has been identified as a possible location for project-related activities.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act*, in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a significant impact on the Corporation.

ST. JOHN'S PORT CORPORATION

Chairperson	Melvin Woodward
Port Manager and Chief Executive Officer	David J. Fox
Head Office	3 Water Street P.O. Box 6178 St. John's, Newfoundland, A1C 5X8 (709) 772-4582 Facsimile: (709) 772-4689
Incorporation and Status	1985; letters patent pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Doane Raymond

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	16.8	16.5	16.3	16.9	17.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	1.1	2.7
Shareholder's Equity	16.1	15.7	15.4	14.9	14.3
Operations					
Revenues	3.2	3.3	3.4	3.7	3.7
Net Income	0.4	0.4	0.5	0.7	0.8
Cash Flow	1.3	1.3	1.4	1.5	1.7
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	1.0	1.6	0.2
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	13	13	13	14	17

ST. LAWRENCE SEAWAY AUTHORITY, THE

Mandate and Background

Established in 1954, The St. Lawrence Seaway Authority constructs, operates and maintains canals, bridges, works and other property related to the deep waterway between the Port of Montreal and Lake Erie, known as the St. Lawrence Seaway.

Corporate Profile

The Authority constructed and operates the Seaway in conjunction with an authority in the United States. It is responsible for 13 locks in Canadian territory and four high-level bridges traversing the St. Lawrence River. Two locks in the United States are operated by the Saint Lawrence Seaway Development Corporation. Tolls may be established by filing with the Canadian Transportation Agency or by agreement between Canada and the United States.

A wholly-owned subsidiary, the Seaway International Bridge Corporation, Ltd., established in 1962, manages the international bridge at Cornwall, Ontario. Two bridges in Montreal are managed by a second wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated. The Seaway Authority also administers the Canadian span of the Thousand Islands Bridge at Lansdowne, Ontario. A third wholly-owned subsidiary, Great Lakes Pilotage Authority, Ltd., has been designated as a parent Crown corporation for the purposes of the *Financial Administration Act*.

Corporate Highlights

For the second year in a row, the 1995 navigation season brought in profits. Due to milder weather, the Authority was able to open its operations earlier than in any of the past 15 years. The Montreal-Lake Ontario section experienced the longest operating season since the Seaway opened in 1959. A total of 3,868 vessel transits with over 48.1 million tonnes of cargo passed through the system, generating more than $83 million in gross revenue.

In the final year of the last Incentive Tolls Program, the new business component helped generate over 1.5 million tonnes of new traffic and net additional revenues of $1.4 million.

The Authority reviewed its Vision 2002 to strengthen its financially self-sufficient position beyond the five years covered by the Corporate Plan. In December 1995, the Minister of Transport announced a new National Marine Policy. On June 10, 1996, the Minister introduced the *Canada Marine Act* in Parliament for its First Reading. The new legislation would allow the Minister to further commercialize the operations of the Great Lakes-St. Lawrence Seaway system by entering into agreements with Seaway users or any other private sector group to operate and maintain the Seaway. If promulgated, the new *Canada Marine Act* will have a significant impact on the Authority.

ST. LAWRENCE SEAWAY AUTHORITY, THE

President	Glendon R. Stewart
Head Office	Constitution Square 14th Floor, Suite 1400 360 Albert Street Ottawa, Ontario, K1R 7X7 (613) 598-4600 Facsimile: (613) 598-4620 Website: http://www.seaway.ca
Incorporation and Status	1954; pursuant to section 3 of the *St. Lawrence Seaway Authority Act* (R.S.C. 1985, c. S-2); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	601.7	592.9	577.8	593.1	600.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	575.2	570.6	554.1	558.1	567.0
Operations					
Revenues	88.3	90.6	76.4	72.0	73.7
Net Income	4.6	17.4	(4.0)	(8.9)	0.7
Cash Flow	19.1	32.3	8.7	3.6	12.3
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	37.4	28.7
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	730	731	741	821	862

STANDARDS COUNCIL OF CANADA

Mandate and Background

The Standards Council of Canada (SCC) fosters and promotes voluntary standardization in fields relating to the construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products, and other goods not expressly provided for by law, as a means of advancing the national economy, benefiting the public, protecting consumers and facilitating trade, and furthering international co-operation in relation to standards.

Corporate Profile

The Council coordinates the activities of organizations involved in voluntary standardization in Canada; represents Canada's interests internationally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Pacific Area Standards Congress (PASC), and the Pan American Standards Commission (COPANT) and serves as the repository and focal point for national and international standards for distribution to Canadian industry.

Corporate Highlights

1995 marked 25 years of service for the Standards Council. The Corporation's focus is on common standards both nationally and internationally.

In 1995, the SCC conducted consultations on its role and mandate with stakeholders across the country. As a result, Bill C-4, *An Act to Amend the SCC Act*, was introduced in Parliament. At the end of the fiscal year, the Bill was awaiting Second Reading in the House of Commons. SCC has moved forward and has begun the restructuring of its mandate which will lead to a new National Standards System.

SCC helped advance the objective of mutual recognition among accrediting bodies. The International Accreditation Forum (IAF) developed a draft multilateral recognition agreement during the year which will be considered for approval by national accrediting bodies in 1996-97. The SCC also made headway towards two agreements in the area of certification, namely, a cooperative agreement with the U.S. Occupational Safety and Health Administration and a mutual recognition agreement (MRA) with the American National Standards Institute.

In 1995-96, the volunteers of the National Standards System led a global effort to develop the world's first set of international environmental management standards, known as the ISO 14000 series. The first five standards in the series, and an environmental guide for standards developers, are to be published in the fall of 1996.

The SCC has launched its World Wide Web site and will provide a single electronic gateway for the new National Standards System.

STANDARDS COUNCIL OF CANADA

President	Richard Lafontaine
Executive Director	Michael B. McSweeney
Head Office	Suite 1200 World Exchange Plaza 45 O'Connor Street Ottawa, Ontario, K1P 6N7 (613) 238-3222 Facsimile: (613) 995-4564 Web Site: http://www.scc.ca
Incorporation and Status	1970; by the *Standards Council of Canada Act* (R.S.C. 1985, c. S-16); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable John Manley, P.C., M.P. Minister of Industry
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1995-96	1994-95	1993-94	1992-93	1991-92
Financial Position					
Total Assets	3.4	3.3	2.8	2.6	2.6
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	2.2	1.9	1.6	1.2	1.1
Operations					
Revenues	4.6	4.2	3.3	3.1	2.1
Net Income	0.2	0.4	0.3	0.2	0.1
Cash Flow	0.4	0.5	0.5	0.3	0.2
Funding from Canada					
Budgetary (operating and capital expenditures)	5.3	5.4	5.6	5.8	6.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	72	68	60	63	65

VANCOUVER PORT CORPORATION

Mandate and Background

The Vancouver Port Corporation administers, manages and controls the Vancouver harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, the services necessary for Canada's international shipping trade in the Vancouver harbour.

Corporate Highlights

The Vancouver Port Corporation is Canada's largest port. The total tonnage handled by the Corporation increased to 71.5 million in 1995 from 67.6 million in 1994.

About 83 percent of Vancouver's cargo is bulk commodities. Coal exports increased by 15 percent to 26.5 million tonnes; potash rose 8 percent to 4.4 million tonnes. Grain was down 16 percent to 12.1 million tonnes owing to a decrease in supply from the Prairies.

General cargo respresents 11 percent of the Port's tonnage. Lumber exports rose 12 percent to 2.3 million tonnes while wood pulp exports were up by 3 percent to 2.6 million tonnes.

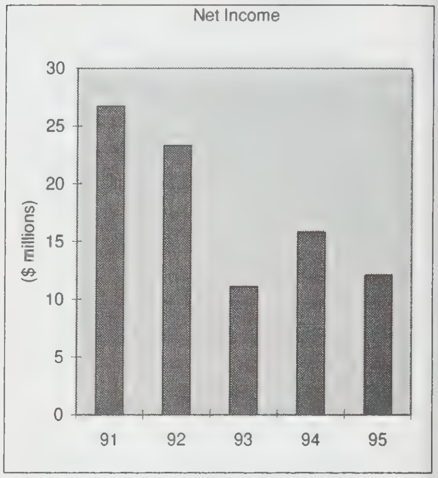
The Vancouver-Alaska cruise market grew for the thirteenth consecutive year with a record 283 sailings carrying a total of 597,000 passengers.

In 1995, several significant projects were completed, made progress or were initiated by the Corporation. In May, the Ballantyne Pier, which services cruise vessels and passengers as well as provides a forest product warehouse, was re-opened after a $49 million complete redevelopment. The City of Vancouver honored the project with a heritage award.

Work progressed on the $224 million Deltaport container terminal at Roberts Bank which is scheduled to start operations in early 1997. Deltaport will double Vancouver's overall container capacity.

To continue administering Environmental Assessment Procedures, the Corporation secured permission to place dredge materials in previously overdredged areas in the harbour, enhancing the environment while, at the same time, providing substantial cost savings.

In June 1996, the Minister of Transport introduced Bill C-44, the *Canada Marine Act,* in the House of Commons. If passed, the legislation would implement the government's National Marine Policy announced in December 1995. The legislation aims to modernize and streamline the marine management and regulatory regime and foster further commercialization and rationalization. Canada's major public ports, currently operating as Crown corporations, would be managed by autonomous Canada Port Authorities. Regional and local ports, currently under Transport Canada, would be transferred to private interests or other levels of government. The Great Lakes-St. Lawrence Seaway system would be commercialized as would ferry services. Pilotage services would be fully cost recovered. If passed, the proposed legislation would have a signficiant impact on the Corporation.



Source: 1995 Vancouver Port Corporation Annual Report.

VANCOUVER PORT CORPORATION

Chairperson	J. Ron Longstaffe
President and Chief Executive Officer	Captain Norman C. Stark
Head Office	1900 Granville Square 200 Granville Street Vancouver, British Columbia, V6C 2P9 (604) 666-8966 Facsimile: (604) 666-8239
Incorporation and Status	1983; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	447.6	382.9	366.9	328.4	317.1
Loans from Private Sector	44.2	0.0	0.0	0.0	0.0
Loans from Canada	2.1	2.4	2.7	3.0	3.3
Shareholder's Equity	364.8	357.1	344.2	307.8	292.2
Operations					
Revenues	66.6	66.3	60.2	64.5	69.3
Net Income	12.1	15.8	11.1	23.3	26.7
Cash Flow	25.3	27.0	23.3	30.9	35.2
Funding from Canada					
Budgetary (operating and capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.3	0.3	0.3	0.3	0.2
Dividends	4.4	3.0	6.6	7.7	8.7
Employment	150	145	145	220	229

VIA RAIL CANADA INC.

Mandate and Background

VIA Rail manages and provides a safe and efficient passenger rail service.

Corporate Profile

VIA Rail is Canada's national passenger rail company, dedicated to providing safe and efficient intercity and transcontinental rail services. VIA Rail operates 421 trains weekly on 14,000 kilometres of track and serves more than 400 communities.

Corporate Highlights

Since 1991, VIA's budgetary appropriations have been reduced by $97.4 million, from $392.8 million to $295.4 million. VIA anticipates to reduce government funding by another $45 million in 1996. These reductions have been accomplished while maintaining the existing train services network.

Over the past three years VIA has attempted to transform its operations from a product-centered, operationally-focused corporation into a customer-centered, cost-conscious passenger service operator. Much of the cost savings was achieved through streamlining. Since 1992 VIA has reduced its managerial staff by over 60 percent and its total staff by 29 percent.

In 1995, VIA began replacing its steam-heated, blue-and-yellow cars in southwestern Ontario with refurbished fully-modernized cars. The new cars will improve the quality of service in the Corridor, the region between Quebec City and Windsor that accounts for two thirds of VIA's passenger revenues.

In March 1995, VIA faced a nine-day employee strike. The strike resulted in a mediation/arbitration process. VIA views the collective agreement imposed by the binding arbitration as a positive step towards running its operations with greater efficiency and effectiveness.

VIA believes that in order to succeed it must focus on improving the consistency and quality of service provided to customers. In order to ensure a continued high level of customer service, VIA has committed itself to providing continuous training. VIA has added an Emergency Response training program to its employee training, which already includes a Performance Enhancement program and other training programs aimed at improving customer service.

In 1996 VIA plans to launch a customer reward program and other new products and services. The Corporation intends to further develop and market existing services, such as the Toronto-Vancouver route, and remote regions as tourist destinations.

The privatization of CN could have been problematic for VIA since 97 percent of VIA's operations run over CN track. In light of this, VIA negotiated a new agreement and dispute resolution mechanism which includes a ten-year extension of the Train Services Agreement. The agreement runs to the year 2008.

VIA RAIL CANADA INC.

Chairperson	Marc LeFrançois
President and Chief Executive Officer	Terry W. Ivany
Head Office	2 Place Ville Marie 6th Floor P.O. Box 8116, Station Centre-Ville Montreal, Quebec, H3B 2C9 (514) 871-6000 Facsimile: (514) 871-6619 Web Site: http://www.viarail.ca
Incorporation and Status	1977; under the *Canada Business Corporations Act*; Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Anderson, P.C., M.P. Minister of Transport
Auditor	Raymond, Chabot, Martin, Paré and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1995	1994	1993	1992	1991
Financial Position					
Total Assets	783.4	790.4	812.5	866.4	914.2
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	640.5	626.9	640.9	676.6	665.0
Operations					
Revenues	175.0	176.4	164.2	155.8	150.2
Net Income	(26.1)	(39.3)	(47.5)	(33.0)	(38.6)
Cash Flow	12.4	10.1	0.9	12.2	6.4
Funding from Canada					
Budgetary (operating and capital expenditures)	295.4	318.2	348.1	388.9	392.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	3,178	3,718	4,131	4,478	4,402

Corporate Holdings

INTRODUCTION

This section presents information on **Crown corporations and their corporate holdings** as of August 31, 1996. In previous years, the information has been presented as of July 31. Due to a large number of changes and to present the most up-to-date information, this year the Corporate Holdings section is as of August 31, 1996.

The information is provided in three parts:

Statistical Summary

shows the number of parent Crown corporations, subsidiaries and associates on a comparative basis with those of the previous year.

Changes During the Year

identifies, for each parent Crown corporation, changes that have occurred in its subsidiaries and associates since last year's Annual Report.

Listing of Corporate Holdings

A list of parent Crown corporations and their subsidiaries and associates.

STATISTICAL SUMMARY

Parent Crown Corporations and Their Wholly-Owned Subsidiaries[1]

(at their financial year-ends on or before August 31, 1996)

Crown Corporations	*1996*	*1995*
Parent Crown corporations	46	48
Wholly-owned subsidiaries	38	63

[1] Canadian National Railway Company (CN) was privatized in November 1995. As CN was a Crown corporation for 11 months, information on its subsidiaries and associates is presented. However, in the statistical summary, CN has been deleted.

CHANGES TO THE LISTINGS

Canada Development Investment Corporation

Eldorado Aviation Limited	**Deleted**
Eldorado Nuclear (1989) Limited	**Deleted**
Cartierville Financial Corporation Inc.	**Deleted**

Canada Lands Company Limited

Canada Lands Company CLC Limited	**Transfer**
CN Tower Limited	**Transfer**

Canada Post Corporation

Distribution Management Services Inc.	**Added**
Canadian Teleservices Corporation	**Added**
2875047 Canada Limited	**Added**
2875039 Canada Limited	**Added**
3106900 Canada Limited	**Added**

Canadian Broadcasting Corporation

Bramalea	**Deleted**

Canadian National Railway Company — **Deleted**

Canada Lands Company CLC Limited	**Transferred to Canada Lands Company**
CN Tower Limited	**Transferred to Canada Lands Company**

Canadian Saltfish Corporation — **Deleted**

Enterprise Cape Breton Corporation

Lynwood Inn Limited (formerly Magi Corporation)	**Change of Name**

Export Development Corporation

Exinvest Inc.	**Added**

LISTING OF CORPORATE HOLDINGS

(at their financial year-ends on or before August 31, 1995)

1. Atlantic Pilotage Authority

2. Atomic Energy of Canada Limited

Subsidiaries held at 100%

- AECL Technologies Inc. (formerly AECL Inc.)
- AECL Technologies B.V.

3. Bank of Canada

4. Business Development Bank of Canada

Associates held at less than 50%

- Cominco Ltd.[1]

5. Canada Council

6. Canada Deposit Insurance Corporation

7. Canada Development Investment Corporation

Subsidiaries held at 100%

- Canada Eldor Inc.
- Canada Hibernia Holding Corporation and its Associate
  - Hibernia Management and Development Company Ltd. (8.5%)
- Theratronics International Limited and its Associate
  - Meicor Inc. (65%)

Associates held at less than 50%

- Varity Corporation[1]

8. Canada Lands Company Limited

Subsidiaries held at 100%

- 3148131 Canada Limited
- Canada Lands Company CLC Limited
- Canada Lands Company (Vieux-Port de Québec) Inc.[2]
- CN Tower Limited
- Canada Museums Construction Corporation Inc.
- Old Port of Montreal Corporation Inc.[3]

9. Canada Mortgage and Housing Corporation

10. Canada Ports Corporation

Subsidiaries held at 100%

- Ridley Terminals Inc.

11. Canada Post Corporation

Subsidiaries held at 100%

- 2875047 Canada Limited
- 2875039 Canada Limited
- 3106900 Canada Inc.
- Canada Post Systems Management Ltd.
- CINA Holdings B.V. and its Associate
  - G.D. Net B.V. (12%) and its Subsidiary G.D. Express Worldwide N.V. (50%)
- Canada Post Holdings and its subsidiary
  - PCL Courier Holding Inc. (75%) and its subsidiary
    - Purolator Courier Ltd. (100%) and its subsidiaries
    - Distribution Management Services Inc. (100%)
    - Canadian Teleservices Corporation (100%)

Associates held at less than 50%

- Cooperative Vereniging International Post Corporation U.A. (6.8%) and its Subsidiaries
  - IPC Technology S.C. (96%)
  - IPC Unipost S.C. (96%)

12. Canadian Broadcasting Corporation

Associates held at less than 50%

- Cable North Microwave Limited (1 share)
- Master FM Limited (20%)
- Visnews Limited (1 share)
- Showcase (20%)

13. Canadian Commercial Corporation

14. Canadian Dairy Commission

15. Canadian Film Development Corporation

16. Canadian Museum of Civilization

17. Canadian Museum of Nature

18. Canadian National Railway Company

Subsidiaries held at 100%

- AMF Techno Transport Inc.
- The Canada and Gulf Terminal Railway Company
- The Canadian National Railways Securities Trust Inc.
- Ecorail Inc. and its Subsidiary
  - ECORAIL Enterprises Inc.
- Canadian National Transportation, Limited
- CN (France) S.A.
- CN Transactions Inc. and its Subsidiaries
  - Autoport Limited (50%)
  - Canac International Inc. and its Subsidiary: Canac International Ltd.
  - CN Exploration Inc.
- Grand Trunk Corporation and its Subsidiaries/Associates
  - Domestic Four Leasing Corporation
  - C.V. Properties Incorporated and its Subsidiary Domestic Two Leasing Corporation and its Subsidiary Relco Financial Corp.
  - Duluth, Winnipeg and Pacific Railway Company Inc.
  - The Belt Railway Company of Chicago (8.3%)
  - Grand Trunk Western Railroad Incorporated
  - Grand Trunk Finance and its Subsidiary Domestic Three Leasing Corporation
  - Grand Trunk Technologies Incorporated and its Subsidiary/Associates TTX Company (1.3%)
  - Société du port ferroviaire de Baie Comeau - Hauterive (12.5%)
  - St. Clair Tunnel Company
  - St. Clair Tunnel Construction Company
- Mount Royal Tunnel and Terminal Company, Limited

Subsidiaries held at 50-99%

- AMF Techno Transport Management (50%)
- Autoport Limited (50%)
- CNCP Niagara Detroit and its Subsidiaries
  - The Canada Southern Railway Company (50%)
  - The Niagara River Bridge Company
  - Detroit River Tunnel Company (50%)
- The Great North Western Telegraph Company of Canada (95.54%)
- Halterm Limited (50%)
- The Northern Consolidated Holding Company Limited (53.9%)
- The Quebec and Lake St. John Railway Company (73.25%)
- Shawinigan Terminal Railway Company (50%)
- Lakespan Marine Inc. (50%)
- The Toronto Terminal Railway Company Limited (50%)
- Railease Associates (50%)
- Canaprev Inc. (50%)

Associates held at less than 50%

- Compagnie de gestion de Matane Inc. (49%)
- Dome Consortium Investments Inc. (6.7%)
- Eurocanadian Shipholdings Limited (18%)
- Innotermodal Inc. (33.3%)
- Railroad Association Insurance, Ltd. (7.5%)
- St. Clair Tunnel Construction Company (25%)
- The Canadian Northern Quebec Railway Company (20.9%)

19. Canadian Wheat Board, The

20. Cape Breton Development Corporation

Subsidiaries held at 100%

- Cape Breton Carbofuels Limited[4]

21. Defence Construction (1951) Limited

22. Enterprise Cape Breton Corporation

Subsidiaries held at 100%

- Cape Breton Marine Farming Limited[4]
- DARR (Cape Breton) Limited[4]
- Gulf Bras D'Or Estates Limited[4]

Associates held at less than 50%

- Canadian Tennis Technology Limited
- General Mining Building Limited
- Lynwood Inn Limited (formerly Magi Corporation)
- Silver Screen Star Limited

23. Export Development Corporation

Subsidiary held at 100%

- Exinvest Inc.

24. Farm Credit Corporation

25. Freshwater Fish Marketing Corporation

26. Great Lakes Pilotage Authority, Ltd.

27. Halifax Port Corporation

28. International Development Research Centre

29. Laurentian Pilotage Authority

30. Marine Atlantic Inc.

Subsidiaries held at 100%

- Coastal Transport Ltd.
- Newfoundland Dockyard Company

31. Montreal Port Corporation

Subsidiary held at 100%

- 176422 Canada Inc.

32. National Arts Centre Corporation

33. National Capital Commission

34. **National Gallery of Canada**

35. **National Museum of Science and Technology**

36. **Pacific Pilotage Authority**

37. **Petro-Canada Limited**

38. **Port of Quebec Corporation**

39. **Prince Rupert Port Corporation**

40. **Queens Quay West Land Corporation**

41. **Royal Canadian Mint**

42. **Saint John Port Corporation**

43. **St. John's Port Corporation**

44. **St. Lawrence Seaway Authority, The**

Subsidiaries held at 100%

- Great Lakes Pilotage Authority, Ltd.[5]
- The Jacques Cartier and Champlain Bridges Incorporated
- The Seaway International Bridge Corporation, Ltd.

45. **Standards Council of Canada**

46. **Vancouver Port Corporation**

Subsidiary held at 100%

- Canada Harbour Place Corporation

47. **VIA Rail Canada Inc.**

Associates held at less than 50%

- Railroad Association Insurance, Ltd. (4%)

NOTES

To Listing of Crown Corporations and Their Corporate Holdings

1. Only non-voting preferred shares are held.

2. Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations on March 31, 1988. A decision has yet to be taken with respect to its formal dissolution pending the resolution of certain legal matters.

3. Old Port of Montreal Corporation Inc., a wholly-owned subsidiary of the Canada Lands Company Limited, has been directed to report its affairs as if it were a parent Crown corporation.

4. Inactive corporation.

5. Not included in Statistical Summary of wholly-owned subsidiaries. Scheduled as a parent Crown corporation pursuant to *The Pilotage Act.*

INTRODUCTION

Other Corporate Interests

The Other Corporate Interests section provides information on:

- corporations with share capital owned by Canada through share ownership or board membership with other organizations or other governments;
- corporations without share capital (e.g. non-profit corporations) for which the government has a legal right to appoint or approve the appointment of some members to the board of directors; and
- organizations formed pursuant to an international agreement where the government has a right to appoint or approve the appointment of some members to the governing body, or in which Canada holds shares.

This information is grouped in listings as follows:

Mixed Enterprises

Corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by private sector parties.

Joint Enterprises

Corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by another level of government.

International Organizations

Corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

Other Entities

Corporate entities in which Canada holds no shares but, either directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent or by-law, to appoint or nominate one or more members to the board of directors or similar governing body.

Corporations under the terms of the *Bankruptcy and Insolvency Act*

Corporate entities whose shares are partially owned by Canada following receipt by a trustee in bankruptcy.

Also provided is:

Statistical Summary of the Other Corporate Interests of Canada

Presents the numbers of: mixed enterprises, joint enterprises, international organizations, other entities, and corporations for whom shares have been acquired under the *Bankruptcy and Insolvency Act* as of March 31, 1996 in comparison with March 31, 1995.

Changes to the Listings During the Year

Presents the names of the other corporate interests of Canada, as of March 31, 1996, deleted or added to the listings since the last Annual Report.

STATISTICAL SUMMARY

Other Corporate Interests of Canada

Statistical Summary	*1996*	*1995*
Mixed Enterprises	4	4
Joint Enterprises	3	3
International Organizations	19	18
Other Entities	66	53
Corporations under the terms of the Bankruptcy and Insolvency Act	6	6

CHANGES TO THE LISTINGS

Other Corporate Interests of Canada

Mixed Enterprises	**No Additions or Deletions**
Joint Enterprises	**No Additions or Deletions**
International Organizations	
African Development Fund	**Deleted**
Great Lakes Fishery Commission (GLFC)	**Added**
International Pacific Halibut Commission (IPHC)	**Added**
International Rainy River Control Board	**Deleted**
Pacific Salmon Commission (PSC)	**Added**
Other Entities	
Agriculture Adaptation Council (AAC)	**Added**
Agri-Food Innovation Fund	**Added**
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in the Research on the Diseases of Children	**Deleted**
Canadian Institute for Energy Training, The	**Added**
Conseil pour le développement de l'agriculture du Québec (CDAQ)	**Added**
Fair Play Canada	**Deleted**

CHANGES TO THE LISTINGS

Other Entities (Continued)

Fonds québécois d'adaptation des entreprises agroalimentaires (FQAEA)	**Added**
Greater London International Airport Authority	**Added**
Greater Moncton Airport Authority, The	**Added**
Greater Toronto Airports Authority	**Added**
Halifax International Airport	**Added**
Kamloops 1993 Canada Games Host Society	**Deleted**
Learning for a Sustainable Future	**Added**
NavCanada	**Added**
1989 Jeux Canada Games Foundation Inc.	**Deleted**
1994 Victoria Commonwealth Games Host Society	**Deleted**
1995 Canada Winter Games Host Society	**Deleted**
1995 World Nordic Championships Organizing Committee	**Deleted**
1999 Corner Brook Canada Winter Games Host Society	**Added**
Ottawa MacDonald-Cartier International Airport Authority	**Added**
Saint John Airport Transition Team	**Added**
Saskatoon Airport Authority	**Added**
Société aéroportuaire de Québec	**Added**
St. John's Regional Airport Planning Group	**Added**
Thunder Bay International Airports Authority Inc.	**Added**
Victoria Airport Authority	**Added**
Winnipeg Airports Authority Inc.	**Added**

Corporations held under the terms of the Bankruptcy and Insolvency Act

No Additions or Deletions

MIXED ENTERPRISES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Fiscal Year End/ Total Assets (A)/ Liabilities (L)/ Auditor	Federal Ownership
Minister of Finance					
National Sea Products Limited					
	To process and market fish, seafoods and fish by-products around the world.	P.O. Box 910 Lunenburg, N.S. B0J 2C0 (902) 422-9381	The Companies Act of Nova Scotia, amalgamated in 1967	December 30 A = $148.0M L = $118.7M Ernst & Young	10.65%
Petro-Canada					
	To enhance shareholder's value through development, production and distribution of hydrocarbons and other types of fuel and energy.	150-6th Ave. S.W. 52nd Floor, West Tower Calgary, Alberta T2P 3E3 (403) 296-8000	Canada Business Corporations Act, 1975	December 31 A = $6.49B L = $2.41B Arthur Andersen & Company	20%
Minister of Natural Resources					
NPM Nuclear Project Managers Canada Inc.					
	Nuclear project and construction management. To transfer this activity to the private sector.	2020 University Street 22nd Floor Montreal, Quebec H3A 2A5 (514) 288-1990	Canada Business Corporations Act, 1982	March 31 A = $33.3M L = $28.6M Price Waterhouse	17%
Minister of Transport					
Canarctic Shipping Company Limited					
	To demonstrate Canadian capability in Arctic ship design and operation; and to use the ship for advancing ice navigation technology, and for effectively testing the extension of the Arctic shipping season.	150 Metcalfe Street P.O. Box 39 Ottawa, Ontario K2P 1P1 (613) 234-8414	Canada Business Corporations Act, 1976	December 31 A = $15.1M L = $14.4M Coopers & Lybrand	51%

JOINT ENTERPRISES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Fiscal Year End/ Total Assets (A)/ Liabilities (L)/ Auditor	Federal Ownership
Minister of Industry and Minister responsible for the Federal Office of Regional Development - Quebec					
Société du parc industriel et portuaire Québec-Sud	To encourage, in the town of Lauzon, the development of an industrial park and harbour facility suited to major industrial projects. To manage this industrial park and harbour facility.	10 rue Giguère Levis-Lauzon, Quebec, Quebec G6V 1N6 (418) 833-5925	Loi spéciale du Gouvernement du Québec, 1974	March 31 A = $2.6M L = $0.3M Laliberté, Lanctôt, Coopers & Lybrand	40%
Minister of Natural Resources					
Lower Churchill Development Corporation Limited	To establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the line transmission of this energy to markets.	P.O. Box 12700 St. John's, Nfld. A1B 3T5 (709) 737-1400	Newfoundland Companies Act, 1978	December 31 A = $30.1M L = $3.0M Ernst & Young	49%
Minister of Western Economic Diversification					
North Portage Development Corporation & The Forks Renewal Corporation	To foster the social and economic redevelopment of the North Portage area in Winnipeg.	201- One Forks Market Road Winnipeg, Man. R3C 4L9 (204) 943-7752	Manitoba Corporations Act, 1983	March 31 A = $129.6M L = $26.9M Deloitte & Touche	33.3%

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation — Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor	Federal Ownership
Minister of the Environment				
International Lake of the Woods Control Board				
Lake of the Woods is an international boundary water. The Lake of the Woods Control Board is responsible for the regulation of levels in the Lake of the Woods and Lac Seul and flows in the Winnipeg and English Rivers downstream of these lakes to their junction, in accordance with international obligations and federal and provincial legislation.	c/o EC, Environmental Protection Service 17th floor 351 St. Joseph Blvd. Hull, Quebec K1A 0H3 (819) 953-1523	The Board was created pursuant to Section 2 of the Lake of the Woods Control Board Act and is further mandated by the Canada-U.S. Boundary Waters Treaty (Convention and Protocol, 1925)	N/A	N/A
International Lake Memphremagog Levels Board				
The Board provides a forum for dispute resolution regarding the regulation of the levels of Lake Memphremagog in accordance with international obligations and federal and provincial legislation.	c/o EC, Quebec Region 100 Alexis-Nihon Blvd. Suite 300 Saint Laurent (Quebec) H4M 2N8 (514) 283-1628	The Board was created pursuant to an agreement between the governments of Canada and the U.S.A.	N/A	N/A
International Niagara Committee				
The Committee reports annually to the governments on the adherence of the parties to the terms and conditions of the Treaty. Regular inspections of the operating hydropower facilities on the river are carried out by the technical staff reporting to the Committee.	c/o EC, Ontario Region P.O. Box 5050 867 Lakeshore Road Burlington, Ontario L7R 4A6 (905) 336-4713	The Niagara Diversion Treaty, 1950 as administered by the Department of Foreign Affairs and International Trade and the U.S. State Department	N/A	N/A
International Porcupine Caribou Board				
To provide advice and recommendations that will improve cooperation and coordination between Canada and the U.S.A. in managing the Porcupine Caribou Herd.	c/o EC Pacific and Yukon Region P.O. Box 340 Delta, B.C. V4K 3Y3 (604) 946-8546	Agreement signed by the U.S.A. and Canada on the Conservation of the Porcupine Caribou Herd, 1987	N/A	N/A
Minister of Finance				
European Bank for Reconstruction and Development				
To develop a vibrant private sector and to help foster the transition from centrally planned economies to market economies in the new Europe.	One Exchange Square London, England EC2 2EH 071-338-6000	European Bank for Reconstruction and Development Agreement Act, 1991	Deloitte Touche Tohmatsu	3.4%

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor	Federal Ownership
Minister of Finance (Continued)					
International Bank for Reconstruction and Development					
	To assist in the reconstruction and development of territories of member countries.	1818 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 623-1000	Bretton Woods and Related Agreements Act, 1945	Price Waterhouse	3.18%
International Development Association					
	To promote economic development, increase productivity and thus raise standards of living in the less developed areas of the world.	1818 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 477-1234	Articles of Agreement; 1960, International Development Association Act, 1960	Price Waterhouse	3.06%
International Finance Corporation					
	To further economic development by encouraging the growth of productive enterprises in member countries, supplementing the activities of the International Bank for Reconstruction and Development.	1850 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 477-1234	Articles of Agreement; Vote 731, Appropriation Act No. 6, 1956	Price Waterhouse	3.63%
International Monetary Fund					
	Established to promote economic welfare by encouraging the expansion of trade, the maintenance of orderly exchange arrangements, and the reduction of balance of payments.	700 19th St. N.W. Washington, D.C. 20431, U.S.A. (202) 623-7430	Agreement signed by member countries, 1945	External Audit Committee	2.98%
Multilateral Investment Guarantee Agency					
	To encourage the flow of investments for productive purposes among member countries, thus supplementing the activities of the International Bank for Reconstruction and Development, the International Finance Corporation and other international development finance institutions.	1818 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 477-1234	Bretton Woods and Related Agreements Act, 1988	Price Waterhouse	2.97%
Minister of Fisheries and Oceans					
Great Lakes Fishery Commission (GLFC)					
	Study of the Great Lakes fisheries: installation of devices and application of lampricides in the Convention area and related tributaries for lamprey control; and provision of a forum for the development of fisheries management programs.	2100 Commonwealth Boulevard, Suite 209 Ann Arbor, Michigan 48105-1563 U.S.A.	Great Lakes Fisheries Convention Act, 1955, R.S.C. 1970, c. F-15.	Deloitte & Touche	

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and year Incorporated	Auditor	Federal Ownership
Minister of Fisheries and Oceans (Concluded)					
International Pacific Halibut Commission (IPHC)					
	Conservation, restoration, rational management and sharing of halibut resources in the Pacific Ocean.	P.O. Box 95009 Seattle, WA 98145-2009 U.S.A.	North Pacific Halibut Fishery Convention Act, R.S.C., c. 43.	Coopers & Lybrand	
Pacific Salmon Commission (PSC)					
	Conservation, restoration, rational management and sharing of Northeast Pacific salmon stocks. Establishment of salmon management and enhancement programs to reduce interceptions, to prevent overfishing and to secure, for each country, benefits equivalent to the production of salmon from its own waters.	600-1155 Robson St. Vancouver, B.C. V6E 1B5	Treaty between the Government of Canada and the Government of the United States of America concerning Pacific Salmon (signed January 28, 1985, ratified March 18, 1985).	Peat Marwick Thorne	
Minister of Foreign Affairs					
African Development Bank					
	To contribute to the economic development and social advancement of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives in Africa.	01, Box 1387 Abidjan 01 Ivory Coast Africa 011-225-20-44-44	Agreement signed by member countries, 1963 and the International Development (Financial Institutions) Continuing Assistance Act.	Deloitte & Touche; Tohmatsu International	3.32%
Asian Development Bank					
	To promote the economic and social advancement of developing country members. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives in Asia.	P.O. Box 789 1099 Manila Philippines 011-632-711-3851	Agreement signed by member countries, 1965 and the International Development (Financial Institutions) Continuing Assistance Act.	Deloitte & Touche	6.39%
Caribbean Development Bank					
	To contribute to the harmonious economic growth and development of the member countries, and integration among them, having special and urgent regard to the needs of the less developed members of the region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	P.O. Box 408 Wilday, St. Michael Bridgetown Barbados 1-8-809-429-3550	Agreement signed by member countries, 1969 and the International Development (Financial Institutions) Continuing Assistance Act.	Price Waterhouse	10.44%

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incoporated	Auditor	Federal Ownership
Minister of Foreign Affairs (Concluded)					
Inter-American Development Bank					
	To contribute to the acceleration of the process of economic/social development of the regional developing member countries, individually or collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	1300 New York Ave. N.W. Washington, D.C. 20577, U.S.A. (202) 623-1000	Agreement signed by member countries, 1959 and the International Development (Financial Institutions) Continuing Assistance Act.	Price Waterhouse	4.26%
International Boundary Commission					
	To maintain the demarcation and cartographic representation of the land and water boundary between Canada and the United States, and to regulate all construction within three metres of the boundary line.	615 Booth Street Room 571 Ottawa, Ontario K1A 0E9 (613) 992-1294	Treaty of Washington, 1908, International Boundary Commission Act, 1960		N/A
Minister of National Defence and Minister of Veterans Affairs					
Commonwealth War Graves Commission					
	To mark and maintain graves and memorials and keep records of the members of the Forces of the Commonwealth who died in the two World Wars.	2 Marlow Road Maidenhead, Berkshire U.K. SL6 7DX (0628) 34221	Royal Charter, 1917	Coopers Lybrand & Deloitte	N/A

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Deputy Prime Minister and Minister of Canadian Heritage				
Association for the Export of Canadian Books				
	To promote the export of Canadian books. To administer the export budget for the Department of Canadian Heritage's Book Publishing Industry Development Program.	1 Nicholas St. Suite 1101 Ottawa, Ontario K1N 7B7 (613) 562-2324	Canada Corporations Act, 1972	Robert B. Shortley
Calgary Olympic Development Association				
	To foster the development of Canadian athletics; to administer the Olympic Endowment Funds; and to operate and maintain the Canada Olympic Park.	88 Canada Olympic Rd. S.W. Calgary, Alta. T2M 4N3 (403) 247-5416	Society Act of Alberta, 1979	Coopers & Lybrand
Canada Games Council				
	To provide a major national multi-sport event for the best young athletes in all provinces and territories.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5799	Canada Corporations Act, 1991	Deloitte & Touche
Canadian Sport and Fitness Administration Centre				
	To provide support services in the areas of administration and promotion.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5708	Canada Corporations Act, 1974	KPMG Peat Marwick Thorne, and Mitchell & Co.
Coaching Association of Canada				
	To improve the formal training of coaches through the National Coaching Certification Program and related programs, and to consolidate a profession of coaching which will ensure job opportunities are matched by qualified candidates.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5624	Canada Corporations Act, 1971	Ouseley Hanvey Cripsham Deep
Commonwealth Centre for Sport Development				
	To establish and operate a multi-sport development centre, dedicated to developing standards of high performance and competitive excellence in athletes and coaches, within domestic and international amateur sports.	4636 Elk Drive Victoria, B.C. V8Z 5M1 (604) 744-3538	Society Act of B.C., 1988	KPMG Peat Marwick Thorne
National Sport Centre - Calgary				
		c/o Faculty of Physical Education University of Calgary 2500 University Drive NW Calgary, Alberta T2N 1N4 Fax: (403) 282-6972 Tel: (403) 220-8196	Society Act of Alberta, 1994	Price Waterhouse

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Deputy Prime Minister and Minister of Canadian Heritage (Continued)				
1999 Corner Brook Canada Winter Games Host Society				
	To plan, organize and stage the 1999 Canada Winter Games.	P.O. Box 1999 Corner Brook, Nfld. A2H 6T2 (709) 637-1999 (709) 785-1999 Fax	Government of Newfoundland, The Corporations Act, 1995	N/A
1997 Brandon Canada Games Society Inc.				
	To plan, organize and stage the 1997 Summer Games.	108 - 18th Street Brandon, Manitoba R7A 5A4 (204) 729-1997	The Corporations Act (Manitoba) 1993	Ernst & Young
Pan American Games Society (WPG 1999) Inc.				
	To plan, organize and stage the 1999 Pan American Games in Winnipeg.	500 Shaftsbury Blvd. Winnipeg, Manitoba R3P 0M1 (204) 985-1999	The Corporations Act (Manitoba) 1994	N/A
Sport Information Resource Centre				
	To maintain a non-profit national sport information resource centre to serve the educational needs of those involved in the development of sport and fitness in Canada.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5658	Canada Corporations Act, 1987	Guindon Charron
Minister of Agriculture and Agri-Food				
Agriculture Adaptation Council (AAC)				
	The main objective is to assist eligible Ontario farm groups, agri-business and rural communities to adapt to the changes occurring in the agriculture and agri-food industry and to foster increased long-term growth, employment and competitiveness in the industry and in rural Ontario.	P.O. Box 20040 Woodlawn Postal Outlet Guelph, Ontario N1N 6H6 (519) 822-7554	Agriculture and Agri-Food Canada By-laws.	Newly incorporated - auditors to be appointed.

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Agriculture and Agri-Food (continued)				
Agri-Food Innovation Fund				
	The purpose of the Fund as provided in the Act is to enhance the diversification of the Saskatchewan agriculture and food industry, to support research and development in the Saskatchewan agriculture and food industry and to encourage Saskatchewan farmers and rural residents to create economic opportunities and jobs.	329-3085 Albert Street Regina, Saskatchewan S4S 0B1 (306) 780-8262	The Crown Corporations Act, 1993 (Sask.)	Saskatchewan Provincial Auditor
Canada Grains Council				
	To coordinate and improve dialogue within industry and between industry and governments and to provide a forum for the Canadian grains and oilseeds sector to develop an enhanced agriculture and agri-food industry.	360 Main Street, Suite 760 Winnipeg, Man. R3C 3Z3 (204) 942-2254	Canada Corporations Act, 1969	Prychitko Kapitoler Burdey
Canadian International Grains Institute				
	To promote, on a non-profit basis, for the general advantage of Canada, the development, maintenance and enlargement of Canadian and international markets for Canadian grains and oilseeds and the products thereof.	303 Main St., Suite 1000 Winnipeg, Man. R3C 3G7 (204) 983-3289	Canada Corporations Act, 1972	Deloitte & Touche
Canadian Livestock Records Corporation				
	To perform services for and on behalf of members of the fifty Breed Associations. To ensure the maintenance of the Breed Associations' Herd Books and to maintain the General Stud and Herd Book.	2417 Holly Lane Ottawa, Ontario K1V 0M7 (613) 731-7110	Animal Pedigree Act, 1988	Ernst & Young
Conseil pour le développement de l'agriculture du Québec (CDAQ)				
	To manage the decision-making process and the delivery of Quebec's allocation of the overall adaptation funds. They will set priorities and fund projects in the areas of improving competitiveness, market development assistance, diversification and rural development, and research.	555, boul. Roland-Thérrien Longueuil (Quebec) J4H 3Y9	CDAQ By-laws.	Newly incorporated - auditors to be appointed.
Fonds québécois d'adaptation des entreprises agroalimentaires (FQAEA)				
	To manage the decision-making process and the delivery of Québec's allocation of the overall adaptation funds. They will set priorities and fund projects in the areas of improving competitiveness, market development assistance, diversification and rural development, and research.	9002, boul. de l'Acadia Bureau 200 Montreal (Quebec) H4N 3H7	FQAEA By-laws.	Newly incorporated - auditors to be appointed.

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation — Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Agriculture and Agri-Food (Continued)			
POS Pilot Plant Corporation			
To be a practical world-class research and development facility for Canadian and international industry so that secondary and tertiary industry can be started and developed in Canada.	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4 (306) 975-7066	Canada Corporations Act, 1973	KPMG Peat Marwick Thorne
Western Grains Research Foundation			
To initiate, encourage, support and conduct research into grain production and into economic and market development of grain products.	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4 (306) 975-0060	Canada Corporations Act, 1981	Coopers & Lybrand
Minister of the Environment			
Wildlife Habitat Canada			
To promote the conservation, restoration and enhancement of wildlife habitat in Canada in order to retain the diversity, distribution and abundance of wildlife.	7 Hinton Avenue Suite 200 Ottawa, Ontario K1Y 4P1 (613) 722-2090	Canada Corporations Act, 1984	KPMG Peat Marwick Thorne
Minister of Fisheries and Oceans			
International Fisheries Commissions Pension Society			
To arrange for and administer the provision of pensions and insurance for Canadian employees of any international fisheries commission, whose seat or headquarters is established and maintained by Canada or the U.S., or both.	c/o Department of Fisheries and Oceans 200 Kent Street Ottawa, Ontario K1A 0E6 (613) 993-1860	Canada Corporations Act, 1957	Director General Corporate Review, Evaluation and Audit Directorate Department of Fisheries and Oceans
Minister of Foreign Affairs			
Asia-Pacific Foundation of Canada			
To develop closer ties between the peoples and institutions of Canada and the Asia-Pacific region.	999 Canada Place, Suite 666 Vancouver, B.C. V6C 3E1 (604) 684-5986	Asia-Pacific Foundation of Canada Act, 1984	Arthur Andersen & Company
International Centre for Human Rights and Democratic Development			
To promote and support cooperation between Canada and other countries for the purpose of developing and strengthening human rights institutions.	63, rue de Brésoles, 1st Floor Montreal, Quebec H2Y 1V7 (514) 283-6073	International Centre for Human Rights and Democratic Development Act, 1988	Auditor General of Canada

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation — Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Foreign Affairs (Concluded)			
Roosevelt Campobello International Park Commission			
To administer as a memorial the Roosevelt Campobello International Park.	P.O. Box 9, Welshpool Campobello Is., N.B. E0G 3H0 (506) 752-2992	The Roosevelt Campobello International Park Commission Act, 1964	Foster, Carpenter, Black & Co.
Minister of Health			
Canadian Centre on Substance Abuse			
To promote increased awareness, on the part of Canadians, of matters relating to alcohol and drug abuse and their increased participation in the reduction of harm associated with such abuse, and to promote the use of relevant programs.	75 Albert Street, Suite 300 Ottawa, Ontario K1P 5E7 (613) 235-4048	Canadian Centre on Substance Abuse Act, 1988	McIntyre & McLarty
Canadian Fitness and Lifestyle Research Institute			
To conduct research, and collect, interpret and disseminate information pertaining to the fitness levels of Canadians.	185 Somerset St. W. Suite 201 Ottawa, Ontario K2P 0V2 (613) 233-5528	Canada Corporations Act, 1980	Ouseley Hanvey
PARTICIPaction			
To inform Canadians about the positive benefits of physical fitness and to motivate them to adopt healthy, physically active lifestyles. To promote fitness through participation in sport and physical recreation.	40 Dundas St. W. Suite 220 Toronto, Ontario M5G 2C2 (416) 977-7467	Canada Corporations Act, 1971	KPMG Peat Marwick Thorne
Terry Fox Humanitarian Award Inc.			
To encourage Canadian youth to seek high ideals as represented by Terry Fox by granting commemorative scholarships for the pursuit of higher education; to establish, maintain, and manage an endowment fund.	185 Somerset St. W. Suite 201 Ottawa, Ontario K2P 0V2 (613) 233-5528	Canada Corporations Act, 1980	Ouseley Hanvey
Minister of Indian Affairs and Northern Development			
Northern Native Fishing Corporation			
To preserve a fleet of fishing vessels and related licences for the long-term benefit of native fishermen, and to foster their development as independent business operators.	P.O. Box 876 4-214 Third Ave. W. Prince Rupert, B.C. V8J 3Y1 (604) 627-8436	British Columbia Companies Act, 1982	Carlyle Shepherd & Co.

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of National Defence and Minister of Veterans Affairs				
Army Benevolent Fund				
	To relieve distress and promote the well-being of Second World War veterans of the Canadian Army and their dependents through the provision of financial assistance.	245 Cooper Street Ottawa, Ontario K2P 0G2 (613) 996-6150	Army Benevolent Fund Act, 1947	Auditor General of Canada
Last Post Fund				
	To ensure the provision of a dignified funeral and burial to eligible war veterans.	685 Cathcart St., Suite 921 Montreal, Quebec H3B 1M7 (514) 866-2888	Federal Charter, 1921	Consulting and Audit Canada
Minister of Natural Resources				
Canadian Institute for Energy Training				
	CIET advances energy efficiency by providing end-users and other energy efficiency stakeholders with the most effective and efficient training solutions in energy management and its environmental impact.	200 Simcoe Street North P.O. Box 385, Station A Oshawa, Ontario L1H 7L7 (905) 721-3050	Canada Corporations Act, 1976	Auditor to be named
Forest Engineering Research Institute of Canada				
	To conduct research and development aimed at improving the efficiency of operations relating to the harvesting and transportation of wood and to improving the equipment used for silvicultural and private woodlots forestry.	580 St. Jean Blvd. Pointe-Claire, Quebec H3R 3J9 (514) 694-1140	Canada Corporations Act, 1976	Bélair, Deloitte & Touche
Forintek Canada Corporation				
	To be the leading force in the technological advancement of the Canadian wood products industry, through creation and implementation of innovative concepts, processes, products, and education programs.	2665 East Mall University of British Columbia Vancouver, B.C. V6T 1W5 (604) 224-3221	Canada Corporations Act, 1979	Deloitte & Touche
Learning for a Sustainable Future				
	A non-profit organization dedicated to enhancing the capacity of education systems in Canada to deliver education consistent with concepts and principles of sustainability.	45 Rideau Street, Suite 303 Ottawa, Ontario K1N 5W8 (613) 562-2238	Canada Corporations Act, 1976	Marcil Lavallée Loyer & Associes-Partners

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Natural Resources (Concluded)				
Maritime Forestry Complex Corporation				
	To establish a Maritime Provinces Regional Forestry Complex.	Hugh John Flemming Forestry Centre, RR #10, Fredericton, N.B. E3B 6H6 (506) 453-3801	Maritime Forestry Complex Corporations Act, New Brunswick, 1980	Deloitte & Touche
National Community Tree Foundation				
	To promote public awareness and education regarding Canada's forests, to provide leadership and community action in building the conservation ethic in Canada and in coordinating actions and soliciting cooperation and funding, in support of tree planting and forest conservation.	220 Laurier Avenue West Suite 1550 Ottawa, Ontario K1P 5Z9 (613) 567-5545	Canada Corporations Act, 1991	KPMG Peat Marwick Thorne
Pulp and Paper Research Institute of Canada				
	To enhance the technical competitiveness of its member companies through activities which support and supplement their own research and technical efforts.	570 Saint-Jean Blvd. Pointe Claire (Quebec) H9R 3J9 (514) 630-4100	Canada Companies Act, 1950	Samson Bélair/Deloitte & Touche
Minister of Transport				
Blue Water Bridge Authority				
	To acquire, hold, operate, maintain, repair and add to the Canadian portion of the Blue Water Bridge between Point Edward, Ontario and Port Huron, Michigan.	Bridge Street Point Edward, Ontario N7V 4J5 (519) 336-2720	Blue Water Bridge Authority Act, 1964	Deloitte & Touche
Buffalo and Fort Erie Public Bridge Authority				
	To construct, maintain and operate the Peace Bridge between Buffalo, New York and Fort Erie, Ontario.	The Peace Bridge Peace Bridge Plaza Buffalo, N.Y. 14213 U.S.A. (716) 884-6744 (905) 871-1608	An Act respecting the Buffalo and Fort Erie Public Bridge Company, 1934	Ernst & Young
Saint John Harbour Bridge Authority				
	To construct a bridge across the Harbour of Saint John, to enter into agreements respecting the financing, construction and financial operation of the bridge, and to collect tolls and other charges for the operation and maintenance of the bridge.	29 King Street P.O. Box 3728 Station B West Saint John, N. B. E2M 5C1 (506) 635-1320	An Act to establish a Harbour Bridge Authority in the City of Saint John, 1962	Deloitte & Touche

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Transport (continued)				
CANADIAN AIRPORT AUTHORITIES:				
The mandate of a Canadian Airport Authority is to manage, operate and develop the airport(s) for which it is responsible in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all air carriers; undertake and promote the development of the airport lands for which it is responsible for uses compatible with air transportation activities; and expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.				
Greater London International Airport Authority		Xenon Capital Corporation Suite 400, 248 Pall Mall St. London, Ontario, N6A 5P6	Canada Corporations Act, Part II	To be appointed
Greater Moncton Airport Authority, The		236 St. George Street Suite 110 Moncton, N.B., E1C 1W1	Canada Corporations Act Part II	To be appointed
Greater Toronto Airports Authority		P.O. Box 6031 Toronto AMF, Ontario L5P 1B2	Canada Corporations Act Part II	To be appointed
Halifax International Airport		800 - 1959 Upper Water St. Halifax, N.S., B3J 2X2	Canada Corporations Act Part II	To be appointed
Ottawa Macdonald-Cartier International Airport Authority		Royal Bank Centre 90 Sparks Street, Suite 1132 Ottawa, Ontario, K1P 5B4	Canada Corporations Act Part II	To be appointed
Saint John Airport Transition Team		New Brunswick Telephone Company Limited One Brunswick Square P.O. Box 1430 Saint John, N.B, E2L 4K2	Canada Corporations Act, Part II	To be appointed
Saskatoon Airport Authority		700-122 First Ave. South Saskatoon, Saskatchewan S7K 7E5	Canada Corporations Act, Part II	To be appointed

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Transport (Continued)				
CANADIAN AIRPORT AUTHORITIES: (Continued)				
Société aéroportuaire de Québec		Maison régionale de l'industrie et du commerce du Québec 17 rue St-Louis, B.P. 430 Quebec City, Quebec G1R 3Y8	Canada Corporations Act, Part II	To be appointed
St. John's Regional Airport Planning Group		St. John's Board of Trade Baine Johnston Centre 10 Fort William Place P.O. Box 5127 St. John's, Nfld. A1C 5V5	Canada Corporations Act, Part II	To be appointed
Thunder Bay International Airports Authority Inc.		c/o Carrel & Partners P.O. Box 638 West Arthur Place Thunder Bay, Ontario P7B 4W6	Canada Corporations Act, Part II	To be appointed
Victoria Airport Authority		1175 Douglas St., Suite 1212 Victoria, B.C. V8W 2E1	Canada Corporations Act Part II	To be appointed
Winnipeg Airports Authority Inc.		Room 124, Main Floor Administration Building 2000 Wellington Ave. Winnipeg, Manitoba R3H 1C1	Canada Corporations Act Part II	To be appointed

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Transport (Continued)				
HARBOUR COMMISSIONS:	To manage and control the harbour and the works and property therein under its jurisdiction. To develop the port and act as a catalyst in the utilization of port facilities and furthering trade nationally and internationally.			
Fraser River Harbour Commission		713 Columbia Street Suite 505 New Westminster, B.C. V3M 1B2 (604) 524-6655	Harbour Commission Act, 1964	Doane Raymond
Hamilton Harbour Commission		605 James Street N. Hamilton, Ontario L8L 1K1 (905) 525-4330	Hamilton Harbour Commissioners Act, 1957	Coopers & Lybrand
Nanaimo Harbour Commission		104 Front Street P.O. Box 131 Nanaimo, B.C. V9R 5K4 (604) 753-4146	Harbour Commission Act, 1964	Bestwick and Partners
North Fraser Harbour Commission		2020 Airport Road Richmond, B.C. V7B 1C6 (604) 273-1866	Harbour Commission Act, 1964	BDO Dunwoody
Oshawa Harbour Commission		1050 Farwell Street P.O. Box 492 Oshawa, Ontario L1H 6N6 (905) 576-0400	Harbour Commission Act, 1964	Deloitte & Touche

OTHER ENTITES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Transport (Concluded)				
HARBOUR COMMISSIONS: (Concluded)				
Port Alberni Harbour Commission		2750 Harbour Road P.O. Box 99 Port Alberni, B.C. V9Y 7W6 (604) 723-5312	Harbour Commission Act, 1964	Newman Hill Duncan & Lacoursière
Thunder Bay Harbour Commission		100 Main St. Thunder Bay, Ontario P7B 6R8 (807) 345-6400	Harbour Commission Act, 1964	KPMG Peat Marwick Thorne
Toronto Harbour Commission		60 Harbour Street Toronto, Ontario M5J 1B7 (416) 863-2020	Toronto Harbour Commissioners Act, 1911	KPMG Peat Marwick Thorne
Windsor Harbour Commission		500 Riverside Drive W. Windsor, Ontario N9A 5K6 (519) 258-5741	Harbour Commission Act, 1964	Coopers & Lybrand
Nav Canada	To acquire, own, manage, operate and develop the Canadian civil air navigation system in a safe, secure, efficient and cost effective manner.	160 Elgin Street Suite 2600 Ottawa, Ontario K1P 1C3	Canada Corporations Act Part II	KPMG Peat Marwick Thorne

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Prime Minister				
Nature Trust of British Columbia, The				
	To purchase and preserve ecologically important parcels of land in B.C.	808-100 Park Royal South West Vancouver, B.C. V7T 1A2 (604) 925-1128	Canada Corporations Act, 1971	KPMG Peat Marwick Thorne
Vanier Institute of the Family, The				
	To promote the spiritual and material well-being of Canadian families and to study their social, physical, mental, moral and financial environment and characteristics.	300-120 Holland Ave. Ottawa, Ontario K1Y 0X6 (613) 722-4007	Canada Business Corporations Act, 1965	McCay, Duff

BANKRUPTCY AND INSOLVENCY ACT

Description and General Information

The Superintendent of Bankruptcy has received shares in the following corporations from the trustee pursuant to the *Bankruptcy and Insolvency Act:*

1. Amertek Inc.
2. Carvern International Industries Ltd.
3. Colby Resources Corp.
4 Gemini Technology Inc.
5. Kenloch Distillers Ltd.
6. Les laboratoires Quelab Inc.

Tabling of Reports in Parliament

INTRODUCTION

The Importance of Adequate and Timely Information to Parliament

The provision of adequate and timely information to Parliament is a major objective of the control and accountability regime for Crown corporations. A well-functioning accountability framework is based on the premise that Parliament and government will receive useful information that will allow active judgment of corporate performance.

Corporations report on their performance through the corporate plan summary and the annual report. To meet that objective, Ministers responsible for Crown corporations table a Corporate Plan Summary, a Capital Budget Summary and an Annual Report in Parliament for each Crown corporation listed under Part I and Part II of Schedule III of the FAA. In addition, an Operating Budget Summary is tabled for Crown corporations listed in Part I of Schedule III.

The Corporate Plan and Budget Summaries inform Parliament of the major strategic and financial elements of each Crown corporation. The summaries are based on the approved Corporate Plan and Budgets and cover the businesses, activities and investments of a corporation and of its wholly-owned subsidiaries with respect to its future operations. The corporation's annual report informs Parliament of a corporation's performance relative to the objectives, strategies and activities approved by the government and tabled in the previous Corporate Plan and Budget Summaries.

Crown corporation reporting is monitored and the President of the Treasury Board sends a letter to Ministers responsible for Crown corporations reminding them of the requirements for timely tabling of reports in Parliament and detailing the status of reports tabled within the appropriate timeframe.

Reports Tabled in Parliament

This section of the Report shows the tablings in Parliament, by appropriate Ministers, of Crown corporation documents for the year ended July 31, 1996 pursuant to Section 152(1) of the *Financial Administration Act.*

The record of tablings of annual reports and summaries for the period of August 1, 1995 to July 31, 1996, in the following table, provides information concerning: those documents due to be tabled or tabled during the current reporting period, and those documents due to be tabled in a previous reporting period and actually tabled during the current one. In some cases the deadline falls after July 31, 1996, and as future sitting days cannot be predicted, the deadlines have not been calculated. Where the deadline has not been calculated and the report has been tabled, it is considered on time and will not be reported in future years.

Section 152(2) of the FAA requires the Auditor General of Canada to attest to the accuracy of this information in the Auditor General's annual Report to the House of Commons.

The Deadlines for Tabling in Parliament

The sitting dates used to calculate deadlines are drawn from the House of Commons *Journals* and the Senate *Journals (*formerly the *Minutes of the Proceedings* of the Senate).

The deadlines for the tabling, before each House of Parliament, for the Corporate Plan Summary, Budget Summary and Annual Report are:

- ***Corporate Plan Summary*:** 30 sitting days after approval by the Governor in Council of the Corporate Plan. A Summary of an amended Corporate Plan has the same deadline.
- ***Budget Summary*:** (Capital and Operating Budget): 30 sitting days after Treasury Board approval of the Budget.
- ***Annual Report:*** A corporation is to submit, to the appropriate Minister, an annual report within three months of its financial year-end. The appropriate Minister has 15 sitting days to table the Annual Report in each House of Parliament.

The deadlines for tabling indicated in this report for the Corporate Plan Summary are calculated from the date of the Order in Council approving the Corporate Plan and those for the Budget Summary from the date of the Treasury Board meeting approving the Budget. When the Operating and/or Capital Budgets are incorporated into the Corporate Plan, the Budget Summaries deadlines are the same as those for the Corporate Plan Summary. For the Annual Report the deadlines are calculated from the earlier of the acknowledgement date of receipt by the appropriate Minister, when available, or three months following the fiscal year-end of the corporation.

Further Information

Information on annual reports and corporate plan and budget summaries may be obtained by contacting the individual corporations. The Corporate Abstracts section of this Report provides additional information on individual Crown corporations.

REPORTS TABLED IN PARLIAMENT

Scheduled Parent Crown Corporations

Annual Reports and Summaries of Corporate Plans and Budgets during the year ended July 31, 1996.

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Atlantic Pilotage Authority				
1995 Annual Report	03-May-96	30-Apr-96	29-May-96	01-May-96
1996 Capital Budget Summary	22-Apr-96	15-Apr-96	12-Jun-96	23-Apr-96
1996 Operating Budget Summary	22-Apr-96	15-Apr-96	12-Jun-96	23-Apr-96
1996-2000 Corporate Plan Summary	22-Apr-96	15-Apr-96	12-Jun-96	23-Apr-96
Atomic Energy of Canada Ltd.				
1994/95 Annual Report	06-Oct-95	19-Jul-95	08-Nov-95	no
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1995/96 Capital Budget Summary	03-Nov-95	03-Nov-95	28-Feb-96	06-Nov-95
1995/96 Operating Budget Summary	03-Nov-95	03-Nov-95	28-Feb-96	06-Nov-95
Business Development Bank of Canada				
1995/96 Annual Report	not set yet	19-Jun-96	not set yet	20-Jun-96
1996/97 Capital Budget Summary	31-May-96	31-May-96	not set yet	04-Jun-96
1996/97 Operating Budget Summary	31-May-96	31-May-96	not set yet	04-Jun-96
1996/97-2000/01 Corporate Plan Summary	31-May-96	31-May-96	not set yet	04-Jun-96
Canada Deposit Insurance Corporation				
1994/95 Annual Report	06-Oct-95	19-Jul-95	08-Nov-95	03-Oct-95
1995/96 Annual Report	not set yet	19-Jun-96	not set yet	20-Jun-96
1996/97 Capital Budget Summary	28-May-96	17-May-96	not set yet	27-May-96
1996/97 Operating Budget Summary	28-May-96	17-May-96	not set yet	27-May-96
1996/97-2000/01 Corporate Plan Summary	28-May-96	17-May-96	not set yet	27-May-96
Canada Development Investment Corporation				
1995 Capital Budget Summary	14-Jun-95	19-Jul-95	05-Oct-95	03-Oct-95
1995/99 Corporate Plan Summary	14-Jun-95	19-Jul-95	05-Oct-95	03-Oct-95
1995 Capital Budget Summary Amendment	03-Nov-95	06-Nov-95	28-Feb-96	07-Nov-95
1995/99 Corporate Plan Summary Amendment	03-Nov-95	06-Nov-95	28-Feb-96	07-Nov-95
1995 Annual Report	03-May-96	15-Apr-96	29-May-96	23-Apr-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
Canada Lands Company Ltd.				
1994/95 Annual Report	06-Oct-95	19-Jul-95	08-Nov-95	03-Oct-95
1995/96 Capital Budget Summary Amendment	03-Nov-95	30-Oct-95	28-Feb-96	31-Oct-95
1995/96 Operating Budget SummaryAmendment	03-Nov-95	30-Oct-95	28-Feb-96	31-Oct-95
1995/96-1999/2000 Corporate Plan SummaryAmendment	03-Nov-95	30-Oct-95	28-Feb-96	31-Oct-95
1996/97 Capital Budget Summary	31-May-96	14-May-96	not set yet	15-May-96
1996/97 Operating Budget Summary	31-May-96	14-May-96	not set yet	15-May-96
1996/97-2000/01 Corporate Plan Summary	31-May-96	14-May-96	not set yet	15-May-96
Canada Mortgage and Housing Corporation				
1995 Capital Budget Summary Amendment (i)	07-Dec-95	07-Dec-95	28-Mar-96	12-Dec-95
1995 Capital Budget Summary Amendment (ii)	14-Dec-95	07-Dec-95	28-Mar-96	12-Dec-95
1995 Operating Budget Summary Amendment	14-Dec-95	07-Dec-95	28-Mar-96	12-Dec-95
1995 Annual Report	03-May-96	03-May-96	29-May-96	08-May-96
1996 Capital Budget Summary	28-May-96	17-May-96	not set yet	27-May-96
1996 Operating Budget Summary	28-May-96	17-May-96	not set yet	27-May-96
1996-2000 Corporate Plan Summary	28-May-96	17-May-96	not set yet	27-May-96
Canada Ports Corporation [1]				
1995 Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Canada Post Corporation				
1995/96 Annual Report	not set yet	13-Jun-96	not set yet	18-Jun-96
1996/97 Capital Budget Summary	31-May-96	13-Jun-96	not set yet	18-Jun-96
1996/97-2000/01 Corporate Plan Summary	31-May-96	13-Jun-96	not set yet	18-Jun-96
Canadian Commercial Corporation				
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	28-May-96	16-May-96	not set yet	27-May-96
1996/97 Operating Budget Summary	28-May-96	16-May-96	not set yet	27-May-96
1996/97-2000/01 Corporate Plan Summary	28-May-96	16-May-96	not set yet	27-May-96
Canadian Dairy Commission				
1994/95 Annual Report	28-Nov-95	20-Nov-95	07-Dec-95	21-Nov-95
1995/96 Capital Budget Summary	03-Nov-95	03-Nov-95	28-Feb-96	06-Nov-95
1995/96 Operating Budget Summary	03-Nov-95	03-Nov-95	28-Feb-96	06-Nov-95
1995/96-1999/2000 Corporate Plan Summary	03-Nov-95	03-Nov-95	28-Feb-96	06-Nov-95
Canadian Museum of Civilization				
1994/95 Annual Report	06-Oct-95	16-Aug-95	08-Nov-95	03-Oct-95
1995/96 Capital Budget Summary	03-Nov-95	14-Dec-95	28-Feb-96	15-Dec-95
1995/96 Operating Budget Summary	03-Nov-95	14-Dec-95	28-Feb-96	15-Dec-95
1995/96-1999/2000 Corporate Plan Summary	03-Nov-95	14-Dec-95	28-Feb-96	15-Dec-95
Canadian Museum of Nature				
1994/95 Capital Budget Summary Amendment	25-Apr-95	09-Nov-95	14-Jun-95	20-Nov-95
1994/95-1998/99 Corporate Plan Summary Amendment	25-Apr-95	09-Nov-95	14-Jun-95	20-Nov-95
1994/95 Annual Report	06-Oct-95	16-Aug-95	08-Nov-95	03-Oct-95
Canadian Saltfish Corporation				
1994/95 Annual Report[2]	06-Oct-95	14-Dec-95	08-Nov-95	15-Dec-95
Cape Breton Development Corporation				
1995/96 Capital Budget Summary	03-Nov-95	03-Nov-95	14-Dec-95	06-Nov-95
1995/96 Operating Budget Summary	03-Nov-95	03-Nov-95	14-Dec-95	06-Nov-95
1995/96-1996/97 Corporate Plan Summary	03-Nov-95	03-Nov-95	14-Dec-95	06-Nov-95
1995/96 Capital Budget Summary Amendment	22-Apr-96	17-Apr-96	10-Jun-96	23-Apr-96
1995/96 Operating Budget Summary Amendment	22-Apr-96	17-Apr-96	10-Jun-96	23-Apr-96
1995/96 Corporate Plan SummaryAmendment	22-Apr-96	17-Apr-96	10-Jun-96	23-Apr-96
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	not set yet	09-May-96	not set yet	14-May-96
1996/97 Operating Budget Summary	not set yet	09-May-96	not set yet	14-May-96
1996/97-2000/01 Corporate Plan Summary	not set yet	09-May-96	not set yet	14-May-96
Defence Construction (1951) Ltd.				
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	31-May-96	17-Apr-96	not set yet	23-Apr-96
1996/97 Operating Budget Summary	31-May-96	17-Apr-96	not set yet	23-Apr-96
1996/97-2000/01 Corporate Plan Summary	31-May-96	17-Apr-96	not set yet	23-Apr-96
Enterprise Cape Breton Corporation				
1994/95 Capital Budget Summary	04-Nov-94	17-Jul-96	01-Mar-95	no
1994/95 Operating Budget Summary	04-Nov-94	17-Jul-96	01-Mar-95	no
1994/95-1998/99 Corporate Plan Summary	04-Nov-94	17-Jul-96	01-Mar-95	no
1994/95 Annual Report	06-Oct-95	15-Apr-96	08-Nov-95	23-Apr-96
1995/96 Capital Budget Summary	27-Sep-95	15-May-96	07-Nov-95	16-May-96
1995/96 Operating Budget Summary	27-Sep-95	15-May-96	07-Nov-95	16-May-96
1995/96-1999/2000 Corporate Plan Summary	27-Sep-95	15-May-96	07-Nov-95	16-May-96
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	31-May-96	17-Jul-96	not set yet	no
1996/97 Operating Budget Summary	31-May-96	17-Jul-96	not set yet	no
1996/97-2000/01 Corporate Plan Summary	31-May-96	17-Jul-96	not set yet	no

DOCUMENT TO BE TABLED		House of Commons		Senate	
		Deadline	Tabled	Deadline	Tabled
Export Development Corporation					
1995	Annual Report	18-Apr-96	19-Mar-96	09-May-96	20-Mar-96
1996	Capital Budget Summary	22-Apr-96	17-Apr-96	10-Jun-96	23-Apr-96
1996	Operating Budget Summary	22-Apr-96	17-Apr-96	10-Jun-96	23-Apr-96
1996-2000	Corporate Plan Summary	22-Apr-96	17-Apr-96	10-Jun-96	23-Apr-96
Farm Credit Corporation					
1995/96	Annual Report	not set yet	18-Jun-96	not set yet	19-Jun-96
1996/97	Capital Budget Summary	not set yet	18-Jun-96	not set yet	19-Jun-96
1996/97	Operating Budget Summary	not set yet	18-Jun-96	not set yet	19-Jun-96
1996/97-2000/01	Corporate Plan Summary	not set yet	18-Jun-96	not set yet	19-Jun-96
Freshwater Fish Marketing Corporation					
1994/95	Annual Report	06-Oct-95	08-Nov-95	22-Nov-95	20-Nov-95
1995/96	Capital Budget Summary	27-Sep-95	18-Sep-95	07-Nov-95	03-Oct-95
1995/96	Operating Budget Summary	27-Sep-95	18-Sep-95	07-Nov-95	03-Oct-95
1995/96-1999/2000	Corporate Plan Summary	27-Sep-95	18-Sep-95	07-Nov-95	03-Oct-95
1996/97	Capital Budget Summary	not set yet	10-Jun-96	not set yet	11-Jun-96
1996/97	Operating Budget Summary	not set yet	10-Jun-96	not set yet	11-Jun-96
1996/97-2000/01	Corporate Plan Summary	not set yet	10-Jun-96	not set yet	11-Jun-96
Great Lakes Pilotage Authority					
1995	Annual Report	03-May-96	30-Apr-96	29-May-96	01-May-96
1996	Capital Budget Summary	22-Apr-96	15-Apr-96	10-Jun-96	23-Apr-96
1996	Operating Budget Summary	22-Apr-96	15-Apr-96	10-Jun-96	23-Apr-96
1996-2000	Corporate Plan Summary	22-Apr-96	15-Apr-96	10-Jun-96	23-Apr-96
Halifax Port Corporation					
1995	Capital Budget Summary Amendment	22-Sep-95	19-Jul-95	07-Nov-95	03-Oct-95
1995	Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996	Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000	Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
Laurentian Pilotage Authority					
1994	Capital Budget Summary Amendment	04-Nov-94	18-Sep-95	16-Mar-95	03-Oct-95
1995	Capital Budget Summary Amendment	22-Apr-96	no	12-Jun-96	no
1995	Annual Report	03-May-96	30-Apr-96	29-May-96	01-May-96
Marine Atlantic Inc.					
1995	Annual Report	03-May-96	03-May-96	29-May-96	08-May-96
1996	Capital Budget Summary	22-Apr-96	21-Mar-96	10-Jun-96	26-Mar-96
1996	Operating Budget Summary	22-Apr-96	21-Mar-96	10-Jun-96	26-Mar-96
1996-2000	Corporate Plan Summary	22-Apr-96	21-Mar-96	10-Jun-96	26-Mar-96
Montreal Port Corporation					
1995	Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996	Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000	Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
National Capital Commission					
1994/95	Annual Report	06-Oct-95	16-Aug-95	08-Nov-95	03-Oct-95
National Gallery of Canada					
1994/95	Annual Report	06-Oct-95	16-Oct-95	08-Nov-95	17-Oct-95
National Museum of Science and Technology					
1994/95	Annual Report	06-Oct-95	18-Sep-95	08-Nov-95	03-Oct-95
1995/96	Capital Budget Summary	04-Oct-95	16-Aug-95	21-Nov-95	03-Oct-95
1995/96	Operating Budget Summary	04-Oct-95	16-Aug-95	21-Nov-95	03-Oct-95
1995/96-1999/2000	Corporate Plan Summary	04-Oct-95	16-Aug-95	21-Nov-95	03-Oct-95
Old Port of Montreal Corporation Inc.					
1994/95	Annual Report	06-Oct-95	18-Sep-95	08-Nov-95	03-Oct-95
1995/96	Annual Report	not set yet	17-Jul-96	not set yet	no
1995/96	Capital Budget Summary Amendment	22-Apr-96	23-Apr-96	12-Jun-96	24-Apr-96

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Pacific Pilotage Authority				
1995 Annual Report	03-May-96	30-Apr-96	29-May-96	01-May-96
1996 Capital Budget Summary	22-Apr-96	15-Apr-96	10-Jun-96	23-Apr-96
1996 Operating Budget Summary	22-Apr-96	15-Apr-96	10-Jun-96	23-Apr-96
1996-2000 Corporate Plan Summary	22-Apr-96	15-Apr-96	10-Jun-96	23-Apr-96
Petro-Canada Ltd.				
1995 Annual Report	30-Apr-96	23-Apr-96	27-May-96	24-Apr-96
1996 Capital Budget Summary	22-Apr-96	06-Mar-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	06-Mar-96	10-Jun-96	19-Mar-96
Port of Quebec Corporation				
1995 Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
Prince Rupert Port Corporation				
1995 Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
Queens Quay West Land Corporation				
1995/96 Capital Budget Summary Amendment (i)	03-Nov-95	30-Oct-95	14-Dec-95	31-Oct-95
1995/96 Operating Budget SummaryAmendment (i)	03-Nov-95	30-Oct-95	14-Dec-95	31-Oct-95
1995/96 Corporate Plan Summary Amendment(i)	03-Nov-95	30-Oct-95	14-Dec-95	31-Oct-95
1995/96 Capital Budget Summary Amendment (ii)	22-Apr-96	21-Mar-96	10-Jun-96	26-Mar-96
1995/96 Operating Budget SummaryAmendment (ii)	22-Apr-96	21-Mar-96	10-Jun-96	26-Mar-96
1995/96 Corporate Plan Summary Amendment (ii)	22-Apr-96	21-Mar-96	10-Jun-96	26-Mar-96
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	31-May-96	14-May-96	not set yet	15-May-96
1996/97 Operating Budget Summary	31-May-96	14-May-96	not set yet	15-May-96
1996/97 Corporate Plan Summary	31-May-96	14-May-96	not set yet	15-May-96
Royal Canadian Mint				
1995 Annual Report	03-May-96	29-Apr-96	29-May-96	30-Apr-96
1996 Capital Budget Summary	30-Apr-96	29-Mar-96	18-Jun-96	no
1996-2000 Corporate Plan Summary	30-Apr-96	29-Mar-96	18-Jun-96	no
Saint John Port Corporation				
1995 Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
St. John's Port Corporation				
1995 Annual Report	27-May-96	28-May-96	05-Jun-96	29-May-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
St. Lawrence Seaway Authority				
1994/95 Annual Report	06-Oct-95	19-Jul-95	08-Nov-95	03-Oct-95
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	28-May-96	16-May-96	not set yet	27-May-96
1996/97 Operating Budget Summary	28-May-96	16-May-96	not set yet	27-May-96
1996/97 Corporate Plan Summary	28-May-96	16-May-96	not set yet	27-May-96
Standards Council of Canada				
1994/95 Annual Report	06-Oct-95	19-Jul-95	08-Nov-95	03-Oct-95
1995/96 Annual Report	not set yet	17-Jul-96	not set yet	no
1996/97 Capital Budget Summary	31-May-96	27-May-96	not set yet	28-May-96
1996/97 Operating Budget Summary	31-May-96	27-May-96	not set yet	28-May-96
1996/97 Corporate Plan Summary	31-May-96	27-May-96	not set yet	28-May-96

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Vancouver Port Corporation				
1995 Annual Report	03-May-96	28-May-96	29-May-96	29-May-96
1996 Capital Budget Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
1996-2000 Corporate Plan Summary	22-Apr-96	27-Feb-96	10-Jun-96	19-Mar-96
VIA Rail Canada Inc.				
1995 Annual Report	03-May-96	03-May-96	29-May-96	08-May-96
1996 Capital Budget Summary	22-Apr-96	17-Apr-96	12-Jun-96	23-Apr-96
1996 Operating Budget Summary	22-Apr-96	17-Apr-96	12-Jun-96	23-Apr-96
1996-2000 Corporate Plan Summary	22-Apr-96	17-Apr-96	12-Jun-96	23-Apr-96

1 The *Canada Ports Corporation Act* specifies that the annual report shall include the annual reports of the Local Port Corporations and that it be submitted to the appropriate Minister no later than "four months" after the financial year-end. These reports are tabled as one document.

2 The *Canadian Saltfish Corporation* was dissolved as of March 31, 1995. This will be the last year that it will appear in the President's Annual Report to Parliament.

Annex

Audited financial

Statements for Each

Parent Crown

Corporation

ANNEX

Audited Financial Statements For Each Parent Crown Corporation

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ANNEX

Audited Financial Statements For Each Parent Crown Corporation

TABLE OF CONTENTS (continued)

INTRODUCTION

The Annex contains the audited financial statements for each parent Crown corporation. Also included, where appropriate, are the financial statements of wholly-owned subsidiaries not consolidated with the statements of the parent corporation.

Much of the information in the "Overview of the Portfolio" and the "Corporate Abstracts" sections of this Report to Parliament is extracted from these audited statements. For more information, the reader may contact the corporations directly.

Each Crown corporation's annual report contains a set of audited financial statements, the auditors' opinion, management's discussion and responsibility statement, the Chairperson or President's message, and other corporate highlights on business volumes and financial indicators, often by product or geographic segment. A summary of the tabling dates for each Crown corporation annual report is shown in the "Tabling of Reports in Parliament" section of this Report. Background information including head office addresses and telephone numbers are provided in the "Corporate Abstracts" section of this Report.

ATLANTIC PILOTAGE AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the Authority's management in accordance with generally accepted accounting principles consistently applied, using management's best estimates and judgements, where appropriate. Management is responsible for the integrity and objectivity of the information in the financial statements and annual report.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide timely, accurate financial reports.

The Authority's management recognizes the responsibility of conducting its affairs in compliance with the *Pilotage Act* and regulations, the *Financial Administration Act* and regulations, and the by-laws of the Authority.

The Authority is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Authority exercises its responsibilities through its Audit Committee, which is composed of members who are not employees of the Authority. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Authority on the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the transactions and financial statements of the Authority in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. He has full and free access to the Audit Committee of the Authority, and his report follows.

C. R. Worthington
Chairman and Chief Executive Officer

M. R. McGrath
Treasurer

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Atlantic Pilotage Authority as at December 31, 1995 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, and the by-laws of the Authority.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 16, 1996

ATLANTIC PILOTAGE AUTHORITY—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash	115,958	
Accounts receivable	934,926	933,237
Prepaid expenses	26,058	24,935
	1,076,942	958,172
Capital, at cost (Note 4)	2,420,484	2,400,998
Less: accumulated amortization	1,650,531	1,553,845
	769,953	847,153
	1,846,895	1,805,325

LIABILITIES	1995	1994
	$	$
Current		
Bank indebtedness		88,174
Accounts payable and accrued liabilities	677,387	585,673
Current portion of accrued employee termination benefits		85,321
	677,387	759,168
Long-term		
Accrued employee termination benefits	628,744	597,465
Deferred rent (Note 5)	32,760	44,613
	661,504	642,078
	1,338,891	1,401,246
Commitments (Note7)		
CONTRIBUTED CAPITAL AND DEFICIT		
Contributed capital	2,304,546	2,286,410
Deficit	(1,796,542)	(1,882,331)
	508,004	404,079
	1,846,895	1,805,325

Approved by the Authority:

C. R. WORTHINGTON
Chairman

D. MacALPINE
Member

ATLANTIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Income		
Pilotage charges	7,605,146	6,867,165
Other income	36,733	35,860
	7,641,879	6,903,025
Expenses		
Pilots' fees, salaries and benefits	3,821,513	3,947,792
Pilot boats, operating costs	2,267,193	2,312,162
Staff salaries and benefits	502,979	477,941
Transportation and travel	337,737	294,985
Professional and special services	210,311	163,408
Utilities, materials and supplies	150,961	137,429
Amortization	128,123	139,494
Rentals	108,005	109,368
Communications	57,434	52,804
	7,584,256	7,635,383
Net profit (loss) for the year	57,623	(732,358)

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Balance, beginning of the year	2,286,410	2,241,166
Parliamentary appropriations to finance prior years' additions to capital assets (Note 3)	18,136	45,244
Balance, end of the year	2,304,546	2,286,410

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Balance, beginning of the year	1,882,331	2,024,777
Net (profit) loss for the year	(57,623)	732,358
	1,824,708	2,757,135
Parliamentary appropriations to finance cash operating losses (Note 3)	28,166	874,804
Balance, end of the year	1,796,542	1,882,331

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Operating activities		
Cash provided by (used for) operations		
Net profit (loss) for the year	57,623	(732,358)
Items not requiring cash		
Amortization	128,123	139,494
Increase in accrued employee termination benefits	74,265	66,967
(Decrease) increase in deferred rent	(11,853)	7,902
	248,158	(517,995)
Cash provided by (used for) non-cash working capital	88,902	(173,571)
Employee termination benefit payments	(128,307)	(110,171)
Cash provided by (used for) operating activities	208,753	(801,737)
Financing activities		
Parliamentary appropriations to finance		
Cash operating losses	28,166	874,804
Additions to capital assets	18,136	45,244
Cash provided by financing activities	46,302	920,048
Investing activities		
Net additions to capital assets	(50,923)	(18,136)
Cash used for investing activities	(50,923)	(18,136)
Increase in cash during the year	204,132	100,175
Bank indebtedness, beginning of the year	(88,174)	(188,349)
Cash (bank indebtedness), end of the year	115,958	(88,174)

ATLANTIC PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Objectives and activities

The Atlantic Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act.* The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that pilotage tariffs shall be fair, reasonable and sufficient, together with any revenue from other sources, to permit the Authority to operate on a self-sustaining financial basis.

The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act.*

2. Significant accounting policies

(a) Parliamentary appropriations

Parliamentary appropriations received to cover cash operating losses are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations provided for the purchase of capital assets are recorded in the accounts when approved by Parliament and are reflected in the statement of contributed capital.

(b) Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Pilot boats	10 to 25 years
Furniture and equipment	5 to 10 years

(c) Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as they accrue to the employees.

3. Parliamentary appropriations

(a) With respect to parliamentary appropriations, the following amounts were authorized and received:

Legislative Authority	Amount authorized	Amount received 1995	Amount received 1994
	$	$	$
1993-94 Transport Vote 42	620,048		320,048
1994-95 Transport Vote 38d	646,302	46,302	600,000
	1,266,350	46,302	920,048

The parliamentary appropriation received in 1995 was to finance prior years' additions to capital assets in the amount of $18,136, recorded in the statement of contributed capital and $28,166 was received to finance the remaining portion of prior years' cash operating loss, recorded in the statement of deficit.

(b) The Authority has been informed that effective April 1, 1996, parliamentary appropriations will no longer be available to defray any deficit.

4. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	450		450	450
Pilot boats	2,132,932	1,398,194	734,738	813,525
Furniture and equipment	287,102	252,337	34,765	33,178
	2,420,484	1,650,531	769,953	847,153

5. Deferred rent

During 1992, the Authority was given a period of free rent, exclusive of operating costs and property taxes, as an incentive to sign a five year lease agreement for office space. The incentive is being amortized over the life of the lease.

6. Related party transactions

The Authority receives services from government departments and these are provided without charge. These include pilot dispatching services by the Canadian Coast Guard, through its Vessel Traffic Service Centres in Nova Scotia, New Brunswick and Newfoundland and Labrador. The cost of these services is not recorded in the accounts of the Authority.

The Authority enters into transactions with Government of Canada departments, agencies, and Crown corporations in the normal course of business.

ATLANTIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

7. Commitments

The Authority has entered into contracts for pilot boat services, office rentals, and wharfage rentals requiring the following minimum annual payments:

	$
1996	871,122
1997	510,059
1998	204,287
	1,585,468

8. Lawsuit

On January 25, 1995, the Authority was successful in appealing a prior judgement against it. The judgement plus post-interest costs in the amount of $294,000 are accrued in the financial statements. The Authority has previously received a parliamentary appropriation in the amount of $350,000 to cover the costs of the original judgement. The other party has been granted leave to appeal to the Supreme Court of Canada. The date has not been set for the hearing.

ATOMIC ENERGY OF CANADA LIMITED

MANAGEMENT RESPONSIBILITY

The consolidated financial statements, all other information presented in this Annual Report and the financial reporting process are the responsibility of the management and the board of directors of the corporation. Except for the non-recognition of future decommissioning costs, which is explained in the notes to the consolidated financial statements, these statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the experience and judgement of management. In the case of decommissioning costs, the corporation has chosen, in the interest of what it considers to be a fairer overall presentation, to continue its established policy of expensing such costs as decommissioning activities take place.

The corporation and its subsidiaries maintain books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part X of the *Financial Administration Act* and its regulations, as well as the *Canada Business Corporations Act*, the articles, and the bylaws and policies of the corporation and its subsidiaries. The corporation has met all reporting requirements established by the *Financial Administration Act*, including submission of a corporate plan, an operating budget, a capital budget and this Annual Report.

The corporation's internal auditor has the responsibility for assessing the management systems and practices of the corporation and its subsidiaries. The Auditor General of Canada conducts an independent audit of the consolidated financial statements of the corporation and reports on his audit to the Minister of Natural Resources.

The board of directors' audit committee, composed of directors who are not employees of the corporation or its subsidiaries, reviews and advises the board on the consolidated financial statements, the Auditor General's reports thereto and the plans and reports related to special examinations, and oversees the activities of internal audit. The audit committee meets with management, the internal auditor and the Auditor General on a regular basis.

Reid Morden
President and Chief Executive Officer

David J. Thomas
Chief Financial Officer

May 30, 1996

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

AUDITOR'S REPORT

TO THE MINISTER OF NATURAL RESOURCES

I have audited the consolidated balance sheet of Atomic Energy of Canada Limited as at March 31, 1996 and the consolidated statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

There are significant costs associated with decommissioning the corporation's facilities and remediating its sites, including costs of residual waste storage and disposal. Generally accepted accounting principles require that these costs be recognized in a rational and systematic manner over the estimated useful lives of the corresponding facilities. However, as described in Note 10 to the financial statements, the corporation has not estimated and recorded the total liability for these costs. Accordingly, I was not able to determine the full magnitude of the adjustment that is necessary to the expenses, the liabilities and the deficit of the corporation.

In my opinion, except for the failure to record the liability for decommissioning and site remediation as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in accounting policy described in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation and its wholly-owned subsidiaries.

I wish to draw your attention to the fact that, for each of the past five years, my report on the annual financial statements and transactions of the corporation has referred to the corporation's failure to record its liability for decommissioning and site remediation costs. These are significant costs of the corporation, but they have been excluded from its financial statements. The corporation refers to two reasons for not recording the liability — its view that much of the future work could not be reasonably estimated and because, historically, decommissioning activities have been financed through parliamentary appropriations. However, I do not accept these reasons because other organizations have estimated, recorded and reported these types of costs and because proper accountability reporting requires the corporation to estimate and record this liability on its financial statements, regardless of how it is to be financed. Although not a prerequisite to the proper accounting for this liability, from the Corporation's perspective, an associated issue is the respective responsibilities of the corporation and the government for funding these costs. I encourage the corporation and the government to, together, clarify this responsibility in the coming year, perhaps as part of the finalization of the funding arrangements described in Notes 7 and 10 to the financial statements.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 30, 1996

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
		Restated
Current		
Cash, advances and short-term investments	145,969	140,981
Accounts receivable (Note 5)	142,439	122,152
Current portion of long-term receivables (Note 6)	102	5,531
Inventory of supplies	11,192	10,009
	299,702	278,673
Heavy water inventory (Note 7)	583,393	584,406
Long-term receivables (Note 6)	892	3,882
Capital assets (Note 8)	109,147	113,218
	993,134	980,179

LIABILITIES	1996	1995
		Restated
Current		
Accounts payable and accrued liabilities	207,083	193,940
Current portion of long-term debt (Note 9)	3,981	3,931
	211,064	197,871
Restructuring and other provisions	96,497	85,873
Deferred revenue	51,196	49,138
Deferred capital funding (Note 3)	102,129	105,492
Accrued employee termination benefits	52,773	48,682
Long-term debt (Note 9)	15,319	19,045
	528,978	506,101
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—75,000 common shares		
Issued—54,000 common shares	15,000	15,000
Contributed capital	607,410	607,410
Deficit	(158,254)	(148,332)
	464,156	474,078
	993,134	980,179

Approved by the Board:

MARY C. ARNOLD
Director

REID MORDEN
Director

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	1996	1995 Restated
Commercial operations		
Revenue	312,318	365,541
Expenses		
Cost of sales	246,351	320,117
Marketing and administration	28,713	25,785
Product development	26,604	16,664
	301,668	362,566
Operating profit from commercial operations	10,650	2,975
Research		
Expenses	254,438	271,618
Less: Parliamentary appropriations (Note 4)	156,752	159,339
Cost recovery from third parties	80,908	86,970
Amortization of deferred capital funding (Note 3)	12,739	16,340
Net research (expense)	(4,039)	(8,969)
Decommissioning activities (Note 10)		
Expenses	10,283	11,560
Less: Parliamentary appropriations (Note 4)	10,283	10,502
Asset sales		1,058
Net decommissioning (expense)		
Interest income	12,467	9,272
Income from operations	19,078	3,278
Restructuring costs (Note 13)	(29,000)	3,900
Net income (loss)	(9,922)	7,178

CONSOLIDATED STATEMENT OF DEFICIT FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	1996	1995 Restated
Balance at beginning of the year	(148,332)	(155,510)
Net income (loss)	(9,922)	7,178
Balance at end of the year	(158,254)	(148,332)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	1996	1995 Restated
Operating activities		
Net income (loss)	(9,922)	7,178
Adjustment for non-cash items		
Amortization of capital assets	14,957	18,236
Amortization of deferred capital funding	(12,739)	(16,340)
Restructuring costs	27,522	(3,900)
	19,818	5,174
Change in non-cash working capital amounts		
Accounts receivable	(20,287)	(10,691)
Inventory of supplies	(1,183)	606
Accounts payable and accrued liabilities	13,143	36,552
Reduction in heavy water inventory	1,013	1,240
Restructuring and other provisions	(16,898)	(19,155)
Accrued employee termination benefits	4,091	1,417
Deferred revenue	2,058	7,967
	(18,063)	17,936
Cash from operating activities	1,755	23,110
Investing activities		
Acquisition of capital assets, net of proceeds on disposal	(9,069)	(8,107)
Cash used in investing activities	(9,069)	(8,107)
Financing activities		
Reduction of long-term debt	(3,676)	(3,800)
Reduction of long-term receivables	8,419	4,760
Parliamentary appropriations applied for capital asset expenditures	7,559	10,179
Cash provided by financing activities	12,302	11,139
Cash, advances and short-term investments		
Change	4,988	26,142
Balance at beginning of year	140,981	114,839
Balance at end of year	145,969	140,981

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996

1. The Corporation

Atomic Energy of Canada Limited (AECL) was incorporated in 1952 under the provisions of the *Canada Corporations Act* (and continued in 1977 under the provisions of the *Canada Business Corporations Act*) pursuant to the authority and powers of the Minister of Natural Resources under the *Atomic Energy Control Act*.

The corporation is a Schedule III Part I Crown corporation under the *Financial Administration Act* and an agent of Her Majesty the Queen in right of Canada. The corporation is exempt from income taxes in Canada.

These financial statements include the accounts of the corporation's wholly-owned subsidiaries, AECL Technologies Inc. (formerly AECL Inc.), incorporated in the state of Delaware, U.S.A. in 1988, and AECL Technologies B.V., incorporated in the Netherlands in 1995.

2. Significant accounting policies

Foreign currency translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction, except those covered by forward exchange contracts, where the rate established by the terms of the contract is used. Monetary assets and liabilities outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date, except those covered by forward exchange contracts, where the exchange rate established by the terms of the contract is used. Exchange gains and losses arising from the translation of foreign currencies are included in income.

Inventories

Heavy water is valued at the lower of average cost and net realizable value. Supplies are valued at cost.

Capital assets

Capital assets are recorded at cost and this cost is amortized on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	3 to 20 years
Buildings and land services	20 to 40 years

Decommissioning activities

As further explained in Note 10, costs of decommissioning nuclear facilities and site remediation are expensed as the activities take place.

Long-term contracts

Revenue and costs on long-term contracts are accounted for by the percentage of completion method, applied on a conservative basis to recognize the absence of certainty on these contracts. Full provision is made for all estimated losses to completion of contracts in progress.

Parliamentary appropriations

The Government of Canada, through parliamentary appropriations, funds certain operations of the corporation as outlined in Notes 4 and 7. Parliamentary appropriations received in prior years to fund heavy water inventory have been recorded as contributed capital. Parliamentary appropriations used to acquire capital assets have been recorded as deferred capital funding on the consolidated balance sheet and are amortized on the same basis as the related capital assets. Other parliamentary appropriations are recorded separately in the consolidated statement of operations as used.

Cost recoveries from third parties

AECL and the Canadian nuclear utilities (Ontario Hydro, New Brunswick Power and Hydro Québec) have a common interest in the safe, efficient and economical use of electricity utilizing CANDU technology. Research programs aligned with these objectives are undertaken by AECL and cost-shared with the utilities under funding arrangements which continue until the end of fiscal 1997. Funding under these arrangements is included in cost recoveries from third parties on the same basis as the related expenses.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis. The corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

Employees are entitled to specific termination benefits as provided for under collective agreements and conditions of employment. The liability for these benefits is charged to income as benefits accrue to the employees. The accumulated liability is based on an actuarial determination and reviewed on a periodic basis.

Workers' compensation

In accordance with the *Government Employees' Compensation Act*, the corporation reimburses Human Resources Development Canada for current payments for workers' compensation claims and pensions billed by the provincal compensation boards. The benefit payments are recognized as an expense in the year paid to the provincial compensation boards.

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Continued*

3. Change in accounting policy

Prior to 1996, capital assets were recorded at cost less parliamentary appropriations and third party contributions. These assets have been recorded in the current year at their corresponding net book value as at March 31, 1996 of $102.1 million (1995—$105.5 million) and an equivalent amount has been recorded as unamortized deferred capital funding. Both the cost and the deferred capital funding will be amortized over their future useful lives ($12.7 million in 1996; $16.3 million in 1995). This change in accounting policy has been applied retroactively.

4. Parliamentary appropriations

Parliamentary appropriations and their use by the corporation are as follows:

	1996	1995
	(in thousands of dollars)	
Research		
Operating costs	156,752	159,339
Capital asset expenditures	7,559	10,179
Decommissioning activities	10,283	10,502
	174,594	180,020

5. Accounts receivable

Accounts receivable include $20.7 million receivable from Canada Development Investment Corporation (CDIC). Of this amount, $10.7 million relates to the corporation's 1988 sale of its shares in Theratronics to CDIC for eventual privatization. Under the sale agreement, the corporation is to receive the proceeds from the sales less CDIC's expenses associated therewith.

6. Long-term receivables

	1996	1995
	(in thousands of dollars)	
Contract receivables maturing through 1997		8,630
Mortgages and other receivables	994	783
	994	9,413
Current portion	102	5,531
	892	3,882

7. Heavy water inventory

The corporation's $583.4 million of heavy water inventory was substantially government-funded through repayable parliamentary appropriations. At the end of the year, the corporation concluded an arrangement which, subject to the government's formal approval, would release the corporation from its obligation to repay parliamentary appropriations, along with associated interest, related to government-funded heavy water. The arrangement would become effective in 1996/97. Under the arrangement, the proceeds from heavy water sales thus retained by the corporation, except AECL's right to the $97 million of such proceeds as established under a previous arrangement, would be used to fund decommissioning activities over a 10-year period (see Note 10).

8. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Commercial operations				
Land and improvements	963	245	718	461
Buildings	8,833	7,571	1,262	734
Machinery and equipment	8,543	6,852	1,691	6,531
	18,339	14,668	3,671	7,726
Research				
Land and improvements	15,121	11,202	3,919	4,174
Buildings	82,951	46,648	36,303	37,186
Reactors and equipment	252,320	202,253	50,067	52,222
Construction in progress	15,187		15,187	11,910
	365,579	260,103	105,476	105,492
	383,918	274,771	109,147	113,218

Amortization of capital assets for the year ended March 31, 1996 amounted to $15 million (1995—$18.2 million).

9. Long-term debt

	1996	1995
	(in thousands of dollars)	
Loans from Government of Canada		
To finance leased heavy water and other assets, maturing through 2008 at interest rates varying from 5.625% to 8.5%	13,491	14,388
Loans from third parties		
To finance the purchase of the Glace Bay heavy water plant, maturing through 1998 at an imputed interest rate of 8.875%	5,809	8,588
	19,300	22,976
Current portion	3,981	3,931
	15,319	19,045

Repayments of loan principal amounts required over succeeding years are as follows (millions of dollars): 1997—$4.0; 1998—$4.4; 1999—$1.2; 2000—$1.2; 2001-$1.0 and subsequent to 2001—$7.5.

10. Decommissioning activities

When prototype reactors, heavy water plants, nuclear research, development and other facilities have no further commercial or research value to the corporation, they are retired and subsequently decommissioned in accordance with Atomic Energy Control Board regulations. Due to the variety of facilities, the decommissioning process may differ in each case. In some cases, decommissioning activities are carried out in stages with intervals of several decades between them to allow radioactivity to decay before moving on to the next stage. Activities include dismantling, decontamination and residual waste storage and disposal.

ATOMIC ENERGY OF CANADA LIMITED—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Concluded*

Estimation of future decommissioning and site remediation costs depends on the development of detailed plans, acceptable to regulatory agencies, and requires determination of the desired end-state, technology to be employed and, in some cases, research and development. The corporation has prepared a broad plan of activities to be carried out over the next four to five decades. While the cost of much of this future work could not be reasonably estimated, it has been possible to determine an amount of approximately $300 million as the likely cost of the portion of the program for which preliminary estimates can be made. Over the next 10 years, the corporation plans to incur a significant portion of this amount. At the end of the year, the corporation concluded, subject to formal approval by the government, a 10-year funding arrangement for decommissioning activities with the federal government. Under the arrangement, these activities will be funded by proceeds from the sale of government-funded heavy water inventory rather than by parliamentary appropriations.

The corporation has not recorded the liability for these future activities because much of the future work could not be reasonably estimated and because, historically, decommissioning activities have been financed through parliamentary appropriations and will continue to be financed by the federal government through a special arrangement as noted above. The corporation expects to continue its present policy of expensing costs as decommissioning activities take place.

11. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, the corporation had the following transactions with the Government of Canada:

	1996	1995
	(in thousands of dollars)	
Repayment of loans and interest	2,285	2,223
Payments to the Public Service Superannuation Plan	12,546	12,847

In the normal course of business, the corporation also enters into various transactions with the Government of Canada, its agencies and other Crown corporations.

12. Contingency

Formal arbitration proceedings engaged by the corporation and Nordion International Inc. (Nordion), and a legal claim made by MDS Health Group Limited and its subsidiary, Nordion, which names the corporation together with Canada Development Investment Corporation (CDIC) and the Attorney General of Canada, have been suspended since May 1994 pending the outcome of facilitated discussions covering various contractual matters. On both the arbitration and litigation matters, management continues to be of the view that the corporation is well positioned to defend itself should the discussions not reach a mutually acceptable solution and, as a result, no amount has been provided for in the financial statements for damages from legal proceedings. Discussions between Nordion and the federal government and between Nordion and AECL have been ongoing for the past year.

13. Restructuring costs

The corporation recognized a $29 million charge for restructuring in the current year. On March 6, 1996, the federal government tabled a budget which, while reaffirming its support for AECL's leadership in the Canadian nuclear industry and for the CANDU business, will result in a reduction to the corporation's annual parliamentary appropriations from $174 million to $100 million by April 1998. The corporation will eliminate or reduce expenditures on research programs which do not directly contribute to the CANDU business, and manage its infrastructure and support costs at a level in line with the program reductions.

Implementation of the program reductions and related actions will cover a period beginning April 1996 with planned completion by March 1999. The corporation has also identified an additional $12 million of related costs for restructuring that will be recognized in the year they are incurred, in accordance with generally accepted accounting principles.

Restructuring costs do not recognize the closure of any major research facility. As part of the federal government's Program Review, an independent task force has been established to recommend future use and viability of the Whiteshell Laboratory facilities in Pinawa, Manitoba. The task force is not expected to table its recommendation(s) to the Government until the summer of 1996. The corporation will take appropriate action(s) pending this report and in consultation with its shareholder.

14. Sales agents' remuneration

In 1996, remuneration and expenses paid to the following sales agents and representatives aggregated $2 million (1995—$7.3 million): B.C. Simeon Park, U.S.A.; Marubeni Corporation, Japan; Sumta Sanayi Urunleri Musavirlik Ve Ticaret A.S., Turkey; Samchang Corporation, Korea; and PII-PED International Inc., U.S.A. and Korea; and Oxford Health Care Ltd., U.K..

15. Comparative figures

Certain reclassifications have been made to the 1995 comparative figures to conform with the current year's presentation.

BANK OF CANADA

AUDITORS' REPORT

We have audited the statement of assets and liabilities of the Bank of Canada as at December 31, 1995 and the statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accompanying summary of significant accounting policies applied on a basis consistent with the preceding year except for the change in method of depreciation as described in Note 6.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Coopers & Lybrand
Chartered Accountants

Ottawa, Canada
January 19, 1996

STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 1995
(in millions of dollars)

ASSETS	1995	1994
Deposits payable in foreign currencies		
US dollars	328.7	521.1
Other currencies	219.8	4.2
	548.5	525.3
Advances to members of the Canadian Payments Association (Note 10)	545.4	446.8
Investments—At amortized values (Note 5)		
Treasury bills of Canada	18,072.0	19,146.6
Other securities issued or guaranteed by Canada maturing within three years	1,523.9	1,879.2
Other securities issued or guaranteed by Canada not maturing within three years	3,767.9	4,049.8
Other investments	5,293.0	3,575.4
	28,656.8	28,651.0
Bank premises (Note 6)	225.0	233.3
Other assets	224.9	193.3
	30,200.6	30,049.7

LIABILITIES	1995	1994
Capital paid up (Note 7)	5.0	5.0
Rest fund (Note 8)	25.0	25.0
Notes in circulation	28,777.7	28,328.7
Deposits		
Government of Canada	17.6	26.4
Chartered banks	478.8	586.2
Other members of the Canadian Payments Association	38.9	33.0
Other deposits	629.2	639.9
	1,164.5	1,285.5
Liabilities payable in foreign currencies		
Government of Canada	185.4	373.0
Other liabilities	43.0	32.5
	30,200.6	30,049.7

See accompanying notes to the financial statements.

G. G. THIESSEN
Governor

J.-P. AUBRY
Chief Accountant

BANK OF CANADA—*Continued*

STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 1995
(in millions of dollars)

	1995	1994
Revenue		
Revenue from investments, net of interest paid on deposits of $23.3 million ($19.1 million in 1994)	2,037.0	1,704.9
Expenses by function (Notes 1, 3 and 4)		
Monetary policy	33.0	33.8
Bank notes	80.0	101.4
Central banking services	20.8	19.3
Debt management services	54.0	54.7
	187.8	209.2
Workforce adjustment termination benefits (Note 11)	33.0	
	220.8	209.2
Net revenue paid to Receiver General for Canada	1,816.2	1,495.7

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995

1. Bank functions

The Bank of Canada's primary responsibilities are set out in the *Bank of Canada Act* and can be grouped into four broad functions. Beginning with 1995, net operating expenses in the Statement of revenue and expense are reported on the basis of these four corporate functions, which are described below. Net operating expenses by major objects of expenditure are presented in Note 3.

Monetary policy

This is the Bank's primary function. Monetary policy is concerned with managing the rate of monetary expansion in a way that is consistent with preserving the value of money: that is, by maintaining stability in the general level of prices.

Bank notes

The Bank has the sole right for issuing bank notes in Canada. This responsibility involves note design (including features that enhance security against counterfeiting) as well as printing, distribution and eventually replacing bank notes.

Central banking services

As central banker, the Bank of Canada is responsible for operating deposit accounts for major financial institutions and for the federal government. In effect, the Bank acts as their banker. The Bank also manages Canada's foreign exchange reserves and carries out a variety of activities aimed at enhancing the effeciency and stability of the Canadian financial system. In addition, the Bank maintains the registry of bank accounts that have been dormant for 10 years or more and is the registrar for chartered banks' Notices of Intention to take security for loans in the form of certain types of property.

Debt management services

As fiscal agent, the Bank advises the federal government on matters relating to the public debt and is responsible for issuing debt, maintaining bondholder records and making payments on behalf of the federal government for debt redemption and interest.

2. Significant accounting policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the *Bank of Canada Act* and the Bank's by-laws. The significant accounting policies of the Bank are:

(a) Revenues and expenses

Revenues and expenses are accounted for on the accrual basis except for interest on advances to a bank ordered to be wound up where interest is recorded as received.

(b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

(c) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the year-end. Foreign currency assets and liabilities covered by forward contracts are converted to Canadian dollars at the contracted rates. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

(d) Bank premises

Bank premises, consisting of land, buildings and equipment, are recorded at cost less accumulated depreciation. As well, computer software cost exceeding $2.0 million are capitalized and amortized over the the estimated useful life of the software, ranging from 3 to 5 years. Depreciation is calculated using the straight-line method and is applied over the estimated useful lives of the assets, as shown below.

Buildings	25 to 40 years
Computer equipment/software	3 to 7 years
Other equipment	5 to 15 years

A full year of depreciation is charged against assets in the year of acquisition, except for projects in progress which are depreciated from the point of substantial completion. No depreciation is taken on assets in the year of disposal.

BANK OF CANADA—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

(e) Pension plan

Pension plan expense is recorded on the basis of actuarial valuations conducted in accordance with the funding requirements of the *Pension Benefits Standards Act,* 1985.

(f) Insurance

The Bank does not insure against direct risks of loss to the Bank, except for potential liabilities to third parties and where there are legal or contractual obligations to carry insurance. Any costs arising from these risks are recorded in the accounts at the time they can be reasonably estimated.

3. Expense by object of expenditure

	1995	1994
	(in millions of dollars)	
Salaries	77.6	80.1
Other staff expenses	20.4	19.3
Bank note costs	22.6	34.9
Other expenses (Note 4)		
Premises maintenance— Net of rental income	31.3	33.8
Services and supplies	15.5	15.8
Depreciation (Note 6)	20.4	25.3
	187.8	209.2
Workforce adjustment termination benefit (Note 11)	33.0	
Total	220.8	209.2

Wages and benefits of Bank staff engaged in premises maintenance are not included in the Salaries or Other staff expenses categories, but rather as part of Premises expenses.

4. Recoveries of expenses

Expenses by function are net of expenses recovered through fees for a variety of services provided by the Bank ($3.0 million in 1995 and $2.6 million in 1994). This netting is reflected in Other expenses under the object of expenditure presentation in Note 3.

5. Investments

Investments may include securities of the Government of Canada held under Purchase and Resale Agreements (PRA). As at December 31, 1995, there were no securities held under PRA ($434.9 million at the end of 1994.)

6. Bank premises

	1995			1994		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	(in millions of dollars)					
Land and buildings	253.4	101.6	151.8	250.9	94.8	156.1
Computer equipment/software	50.6	42.1	8.5	46.3	38.7	7.6
Other equipment	144.2	83.6	60.6	143.1	74.1	69.0
	448.2	227.3	220.9	440.3	207.6	232.7
Projects in progress	4.1		4.1	0.6		0.6
	452.3	227.3	225.0	440.9	207.6	233.3

BANK OF CANADA—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Concluded*

During the year, the Bank changed from the declining balance to the straight-line method of depreciating assets to more appropriately reflect the pattern of asset use. This change has been made prospectively from January 1, 1995 and, accordingly, has reduced depreciation expense for the year ended December 31, 1995 by $5.4 million to $20.4 million when compared with what depreciation expense for 1995 would have been under the declining balance method.

7. Capital paid up

The authorized capital of the Bank is $5.0 million divided into 100,000 shares with a par value of $50.00 each. The shares are fully paid and in accordance with the *Bank of Canada Act* have been issued to the Minister of Finance, who is holding them on behalf of Canada.

8. Rest fund

The rest fund was established by the *Bank of Canada Act* and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25.0 million in 1955. Subsequently all net revenues have been paid to the Receiver General for Canada.

9. Commitments

(a) Bank premises

As at December 31, 1995, outstanding commitments under contracts for new computer systems, building upgrades and equipment purchases totalled $12.2 million ($0.6 million at the end of 1994). These contracts call for payments over the next year.

(b) Foreign currency contracts

In the ordinary course of business, the Bank enters into commitments involving the purchase and sale of foreign currencies. In particular, the Bank enters into short-term foreign currency swap arrangements with the Exchange Fund Account (EFA) of the Government of Canada as part of its cash management operations within the Canadian banking system. These transactions, which are made with the concurrence of the Minister of Finance under a standing authority, involve the temporary acquisition by the Bank of foreign currency assets from the EFA. These assets are paid for in Canadian dollars at the prevailing exchange rate with a commitment to reverse the transaction at the same rate of exchange lat a future date.

As well, the Bank of Canada is a participant in two foreign currency swap facilities with foreign central banks. The first, amounting to US $2 billion, is with the US Federal Reserve. The second, amounting to Can. $1.5 billion, is with the Banco de Mexico.

A summary of outstanding commitments follows.

	1995	1994
	(in millions of dollars)	
Foreign currency contracts—Purchases.	64.2	66.1
—Sales	5,646.2	3,669.9

As at December 31, 1995, outstanding foreign currency contracts included sale commitments of $5,365.4 million ($3,603.8 million at the end of 1994) under swap arrangements with the EFA and $216.7 million (nil at the end of 1994) under the swap facility with the Banco de Mexico.

(c) Investment contracts

In the ordinary course of business, the Bank enters into commitments involving the purchase and sale of securities. A summary of these outstanding commitments follows.

	1995	1994
	(in millions of dollars)	
Investment contracts—Purchases		
—Sales		434.9

As at December 31, 1995, there were no outstanding investment contracts (i.e. sale commitments) under Purchase and Resale Agreements ($434.9 million at the end of 1994).

10. Legal matters

Advances include a total of $27.9 million, unchanged from 1994, provided to the Canadian Commercial Bank and the Northland Bank, for which winding-up orders have been issued by the courts. On the basis of the available information, it is the opinion of the Bank of Canada that this amount will be fully repaid from the proceeds of the liquidations.

The Bank of Canada's security for these advances includes the loan portfolios of those institutions. In the case of the Canadian Commercial Bank, the liquidator's conclusion that loans made from part of the Bank of Canada's security has been challenged with respect to portions of the portfolio and these issues are before the courts. In the Northland Bank liquidation, an issue regarding a clearing settlement made by Northland Bank to the Bank of Canada is before the courts. In the event of a final legal determination that part of the Canadian Commercial Bank's loan portfolio is not included in the security or that the Northland Bank clearing settlement is not covered under the Bank of Canada's security, it could result in some adjustment to amounts which have been recorded in income. The information available at the present time is not sufficient to estimate the magnitude of any potential adjustments.

11. Workforce adjustment termination benefits

The Bank plans to eliminate approximately 500 staff positions. This significant reduction in employment level is the result of extensive reviews of the Bank's activities and will be accomplished via early retirements, voluntary departures and some layoffs. The termination benefits are comparable to those offered recently by the federal government and are being charged to expense this year.

BUSINESS DEVELOPMENT BANK OF CANADA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The financial statements of the Business Development Bank of Canada (formerly Federal Business Development Bank) were prepared and presented by management in accordance with generally accepted accounting principles on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of accounting for loans and the related allowance for credit losses as explained in Note 2 to the financial statements. The information contained therein normally includes amounts requiring estimation which have been made based upon informed judgment as to the expected results of current transactions and events. The financial information presented elsewhere in this annual report is consistent with the financial statements.

In discharging its responsibility for the integrity, fairness and quality of the financial statements and for the accounting systems from which they are derived, management maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by audit and inspection staff who conduct periodic reviews of different aspects of the Bank's operations. In addition, the Vice-President, Audit and Inspection and the independent auditors have full and free access to the Audit Committee of the Board of Directors which is responsible for overseeing and reviewing management's internal control and reporting responsibilities. The Board of Directors, through the Audit Committee which is comprised of directors who are not employees of the Bank, is responsible for reviewing and approving the audited annual financial statements.

The Bank's independent auditors, Raymond, Chabot, Martin, Paré, General Partnership, Chartered Accountants and the Auditor General of Canada have audited the Bank's financial statements and their report indicates the scope of their audit and their opinion on the financial statements.

François Beaudoin
President and Chief Executive Officer

Alan B. Marquis
Vice-President, Finance and
Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER OF INDUSTRY

We have audited the balance sheet of the Business Development Bank of Canada (formerly Federal Business Development Bank) as at March 31, 1996, and the statements of income and changes in financial position for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for loans and the related allowance for credit losses as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Bank that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Business Development Bank of Canada Act* and the by-laws of the Bank.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants

Montreal, Canada
May 23, 1996

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Cash and short-term investments	227,547	273,608
Securities (Note 3)	164,452	
	391,999	273,608
Loans, net of allowance for credit losses (Note 5)	3,111,361	2,798,469
Venture capital investments, net of allowance for losses (Notes 4 and 5)	31,836	29,400
	3,143,197	2,827,869
Capital assets, net of accumulated depreciation	15,109	6,009
Other assets (Note 6)	53,088	38,214
	68,197	44,223
Total assets	3,603,393	3,145,700

LIABILITIES AND SHAREHOLDER'S EQUITY	1996	1995
Accounts payable and accrued liabilities	30,357	18,443
Accrued interest on borrowings	74,443	47,755
	104,800	66,198
Borrowings (Note 7)		
Short-term notes	1,098,190	1,353,061
Long-term notes	1,946,965	1,369,776
	3,045,155	2,722,837
Other liabilities	83,110	67,890
Shareholder's equity (Note 8)	370,328	288,775
Total liabilities and shareholder's equity	3,603,393	3,145,700

The accompanying notes to financial statements are an integral part of this statement.

Approved by the Board:

DENNIS H. FREEMAN
Director

FRANÇOIS BEAUDOIN
Director

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Financial services		
Loans division		
Interest income	338,378	302,356
Interest expense (Note 9)	178,799	152,399
Net interest income	159,579	149,957
Provision for credit losses (Note 5)	23,128	42,052
Net interest income after provision for credit losses	136,451	107,905
Operating and administrative expenses (Notes 10 and 11)	115,119	99,631
Income from Loans division	21,332	8,274
Venture capital division		
Investment income	19,097	8,173
Provision for losses on investments (Note 5)	4,898	3,247
Net investment income after provision for losses	14,199	4,926
Operating and administrative expenses (Note 10)	3,954	3,811
Income from Venture capital division	10,245	1,115
Income from financial services	31,577	9,389
Management services		
Revenue from activities	19,125	18,141
Operating and administrative expenses (Notes 10 and 11)	33,227	32,535
Net operating and administrative expenses	14,102	14,394
Parliamentary appropriation	14,078	14,170
Loss from Management services (Note 10)	(24)	(224)
Net income	31,553	9,165

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Cash flows from operating activities		
Net income	31,553	9,165
Items not requiring an outlay of cash		
Provision for credit losses and losses on venture capital investments	28,026	45,299
Depreciation of capital assets	3,440	1,678
Change in interest receivable on loans	(279)	(2,809)
Change in accrued interest on borrowings	26,688	(15,308)
Net change in other assets and other liabilities	12,260	21,059
	101,688	59,084
Cash flows used in investing activities		
Disbursements to borrowers and investees	(863,235)	(735,402)
Repayments by borrowers and investees	520,160	465,444
Net acquisition of capital assets	(12,540)	(2,489)
	(355,615)	(272,447)
Cash flows from financing activities		
Issue of long-term notes	1,011,863	405,821
Repayment of long-term notes	(434,674)	(907,159)
Net change in short-term notes	(254,871)	622,064
Net change in securities	(164,452)	219,708
Proceeds from issue of preferred shares	50,000	
	207,866	340,434
Net increase (decrease) in cash and short-term investments	(46,061)	127,071
Beginning of year	273,608	146,537
End of year	227,547	273,608

The accompanying notes to financial statements are an integral part of this statement.

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996
(in thousands of dollars except as otherwise indicated)

1. Act of incorporation, objectives and operations of the Corporation

The Business Development Bank of Canada (BDC) is a Crown corporation which was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank, and continued under its new name by an Act of Parliament on July 13, 1995. The Bank is wholly-owned by the Government of Canada and is exempt from income taxes.

The objectives of the Bank are to promote and assist in the establishment and development of business enterprises in Canada, especially small and medium-sized businesses, by providing a wide range of financial and management services tailored to the current needs of such businesses.

The new Act expands and extends the mandate of the Bank, enabling it to more effectively respond to the needs of Canada's small and medium-sized businesses. The Bank offers to Canadian companies services complementary to those of commercial financial institutions: financial services, venture capital, and management services (counselling and training).

To accomplish these objectives, the Bank issues debt instruments which carry the full faith and credit of Canada. The new Act also allows the issuance of hybrid capital instruments to provide the capital required for meeting the growing financial needs of Canadian small and medium-sized businesses. The Crown would not be liable for payment of amounts owing under such capital instruments.

2. Significant accounting policies

The financial statements of the Business Development Bank of Canada have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements are summarized below.

Short-term investments and securities

Short-term investments and securities are stated at cost adjusted for amortization of premiums or discounts to maturity, or market value, if significantly lower. Interest revenue and gains or losses on disposals are included in interest expense.

Loans and allowance for credit losses

Loans are stated at principal amounts including accrued interest receivable, net of allowance for credit losses.

The allowance for credit losses is maintained at a level considered adequate to absorb credit losses existing in the Bank's portfolio. The allowance is increased by an annual provision for credit losses which is charged against income and is reduced by write-offs, net of recoveries.

For the year ended March 31, 1996, the Bank applied the new accounting standards governing impaired loans issued by the Canadian Institute of Chartered Accountants. The Bank's previous provisioning practices were sufficient to accommodate the requirements of the implementation of impaired loans recommendations and accordingly, no adjustments to previously recorded amounts were required.

A loan is considered to be impaired as a result of a deterioration in credit quality to the extent that the Bank no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan agreement. When a loan is considered impaired, the carrying amount of the loan is reduced to its estimated realizable value by discounting the expected cash flows at the effective interest rate inherent in the loan, or if cash flows cannot be reasonably estimated, the fair value of any underlying security, net of expected realization costs, is used. The amount of initial impairment and any subsequent changes are recorded through the provision for credit losses as an adjustment to the specific allowance.

In addition to specific allowances against identified impaired loans, the Bank maintains a group allowance to cover impairment which is inherent in the loan portfolio and is estimated based upon historical loss experience and prevailing economic conditions.

Venture capital investments and allowance for losses

Venture capital investments are recorded at cost net of allowance for losses. The allowance for losses on these investments is established by a management review of individual investments.

Revenue recognition

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases.

Any interest payments on impaired loans are applied to the carrying amount of the loan unless the loan is fully secured and does not require a specific allowance, in which case interest income is recognized on a cash basis.

For impaired loans measured on the basis of expected future cash flows, as explained under Loans and allowance for credit losses, the increase in present value attributable to the passage of time is reported as interest income.

Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Capital assets and depreciation

Capital assets are recorded at cost and depreciated over their maximum estimated useful lives, using the straight-line method as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	over the term of the lease, maximum 15 years

Premiums, discounts and debt-issue expenses

Premiums, discounts and expenses related to the issue of debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

Translation of foreign currencies

Notes payable in foreign currencies and interest thereon are fully hedged by foreign exchange forward contracts, foreign currency option contracts or currency swap contracts and are translated into Canadian dollars at the rates provided therein. The difference between the principal amount payable at maturity and the proceeds of the issue is considered to be an element of financing costs and is therefore amortized to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these amounts is included in "Other assets".

Hedging activities

The Bank engages in a variety of hedging activities through the use of interest rate swap contracts, forward rate agreements, interest rate option contracts, cross-currency interest rate swap contracts, currency swap contracts, foreign exchange forward contracts and foreign currency option contracts. Any resulting gains or losses from the above instruments are recorded as adjustments to interest expense.

Pension plan

The Bank maintains a contributory, defined benefit pension plan for eligible employees. Periodic valuations are performed by independent actuaries to determine the present value of the accrued pension benefits. The costs of the plan, which are included with salaries and staff benefits, are comprised of the cost of pension benefits in respect of current service, and the amortization over the expected average remaining service life of the employees of experience gains or losses in respect of the plan, and any adjustments arising from changes to the plan or the plan assumptions.

Post-retirement benefits other than pensions

Post-retirement benefits, other than pensions, consisting of life insurance and health care benefits to eligible retirees, are accrued annually based on actuarial valuations and are recorded in "Other liabilities".

Post-employment benefits other than pensions

Employees are eligible for specified post-employment benefits which are based on salary levels in effect at the time of departure and are accrued annually based on actuarial valuations and are recorded in "Other liabilities".

3. Securities

	Remaining term to maturity date					
	Under 1 year	1 to 3 years	3 to 5 years	Over 5 years	1996 Total	1995 Total
Securities issued or guaranteed by:						
Canada		15,118	27,826		42,944	
Provinces		39,178	27,232	29,015	95,425	
Other debt securities	16,012	10,071			26,083	
Total securities	16,012	64,367	55,058	29,015	164,452	
Market value*					163,368	

*Market risk relating to the above securities is hedged by interest rate swap contracts.

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

4. Venture capital investments

The Bank maintains a portfolio of venture capital investments which is focused on companies having promising competitive positions in their respective marketplaces and strong growth potential. The duration of these investments is generally 4 to 7 years. Divestitures are made through listings of investee shares on public markets or the sale of the Bank's shares to other existing shareholders or third parties.

The following is a summary of the venture capital portfolio at year end:

	1996	1995
Common shares	27,108	29,010
Preferred shares	8,102	2,695
Debentures	9,253	6,915
	44,463	38,620
Allowance for losses on investments	(12,627)	(9,220)
Venture capital investments, net of allowance for losses on investments	31,836	29,400

5. Allowance for credit losses and losses on venture capital investments

	1996			1995		
	Loans	Venture capital investments	Total	Loans	Venture capital investments	Total
Balance at beginning of year	223,551	9,220	232,771	227,755	9,623	237,378
Write-offs	(30,984)	(1,504)	(32,488)	(48,684)	(3,781)	(52,465)
Recoveries	2,270	13	2,283	2,428	131	2,559
	194,837	7,729	202,566	181,499	5,973	187,472
Provision for credit losses and losses on venture capital investments	23,128	4,898	28,026	42,052	3,247	45,299
Balance at end of year	217,965	12,627	230,592	223,551	9,220	232,771

The loans outstanding and related allowance for credit losses are broken down as follows:

	1996	1995
Loans outstanding		
Group	3,091,893	2,787,694
Impaired loans	237,433	234,326
	3,329,326	3,022,020
Allowance for credit losses		
Group	134,117	136,367
Impaired loans	83,848	87,184
	217,965	223,551
Loans, net of allowance for credit losses	3,111,361	2,798,469

The amount of income recognized on impaired loans totalled $10,814 in fiscal 1996.

6. Other assets

	1996	1995
Accrued interest receivable	43,156	26,079
Unamortized debt issue expenses on long-term notes	1,750	2,430
Other	8,182	9,705
	53,088	38,214

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

7. Borrowings

The Bank issues debt instruments in world capital markets to fund its loan portfolio. The table below shows Canadian dollar notes and foreign currency notes, fully hedged and converted into Canadian dollars.

Maturity date	Effective rate	Currencies		1996	1995
	%		Nominal amount	$	$
Short-term notes					
1996	5.75-8.15	GB pounds	5,000		
		US dollars	799,142		
		CDN dollars	230,550		1,353,061
1997	4.95-5.58	Swiss francs	49,000		
		Deutsche marks	265,000		
		US dollars	237,000		
		CDN dollars	476,094	1,098,190	
Total short-term notes				1,098,190	1,353,061

Maturity date	Nominal rate	Currencies		1996	1995
	%		Principal amount	$	$
Long-term notes					
Within a year					
1996	Zero coupon—12.00	Japanese yen	10,000,000		
		US dollars	25,000		
		CDN dollars	142,440		282,319
1997	Zero coupon—11.49	Japanese yen	22,920,000		
		US dollars	71,375		
		NL guilders	25,000		
		CDN dollars	273,500	662,741	647,974
Longer than a year					
August 26, 1997	8.50			75,000	75,000
October 6, 1997	8.80 (1)	US dollars	80,000	109,058	47,093
December 15, 1997	6.00			100,000	
December 18, 1997	7.13 (2)			40,000	
February 28, 1998	7.00 (3)			15,000	
March 10, 1998	7.50			150,000	150,000
May 15, 1998	Zero coupon (4)			5,000	
June 30, 1998	4.15	Japanese yen	1,690,000	20,517	20,517
July 29, 1998	6.00 (5)	Japanese yen	1,603,788	26,905	20,666
October 6, 1998	7.00			125,000	
October 15, 1998	Zero coupon (6)	US dollars	35,000	46,830	46,830
November 25, 1998	8.78			50,000	50,000
September 25, 2000	7.43			75,000	
November 24, 2000	6.89 (7)	US dollars	18,340	25,914	29,377
June 27, 2005	8.00 (8)			20,000	
October 18, 2005	8.52 (9)			67,000	
October 18, 2005	8.33 (9)			23,000	
November 2, 2005	6.75 (10)			25,000	
December 12, 2005	7.73 (11)			20,000	
December 12, 2005	7.76 (11)			58,000	
January 5, 2006	8.26 (12)			115,000	
March 1, 2006	7.55 (13)			60,000	
March 18, 2008	8.35 (14)			32,000	
Total long-term notes				1,946,965	1,369,776
Current portion of long-term notes with maturity date longer than a year				12,293	7,911

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

(1) Repayment terms are related to the US dollar/Japanese yen exchange rates.

(2) Interest is payable semi-annually. On December 18, 1997, BDC has the option to extend the maturity to December 20, 1999 and annually thereafter to December 18, 2007.

(3) Interest is compounded annually and payable at maturity date. Annually, BDC may, at its option, extend the maturity date at predetermined interest rates starting February 28, 1998.

(4) Repayment terms are related to the performance of 225 common stocks listed on the Tokyo Stock Exchange.

(5) Principal and interest are payable in annual blended instalments of 599,992,903 Japanese yen (6,529 CDN dollars) to maturity. Additional principal and interest to swap counterparty are payable in annual blended instalments of 4,150 CDN dollars to maturity.

(6) Interest is based on the average of 2-year swap rates for 6 countries.

(7) Principal and interest are payable in uneven monthly instalments to maturity.

(8) Interest rate is compounded semi-annually and payable at maturity. Annually, BDC has the right to redeem the Notes prior to maturity starting June 27, 1998.

(9) Interest rate is compounded semi-annually and payable at redemption or maturity date. BDC has the option to redeem the Notes prior to maturity beginning October 20, 1997.

(10) BDC may, at its option, redeem the Notes annually on each coupon date at a predetermined rate starting November 2, 1998.

(11) Interest is compounded semi-annually and payable on redemption date or at maturity. BDC has the option to redeem the Notes starting December 12, 2000.

(12) On January 5, 1998, BDC has the right to call the Note for redemption. Interest is payable semi-annually.

(13) Interest is compounded semi-annually and payable on redemption date or at maturity. BDC has the option to redeem the Notes starting March 2, 1998.

(14) Interest rate is compounded semi-annually and payable on redemption or at maturity. Annually, BDC has the option to redeem the Notes starting March 18, 1998.

The preceding table includes $1,808,963 in 1996 and $1,342,336 in 1995 of long-term notes payable which have been the subject of interest rate swap contracts and options with other financial institutions. These borrowings fund a portion of the Bank's floating interest rate loan portfolio.

As at March 31, the required payments on long-term notes are as follows:

	1996	1995
1996		290,230
1997	675,034	656,974
1998	502,822	282,302
1999	262,736	128,896
2000	6,501	6,501
2001	79,872	4,873
2006	388,000	
2008	32,000	
	1,946,965	1,369,776

8. Shareholder's equity and statutory limitations

Shareholder's equity

Authorized:

(a) An unlimited number of preferred shares without par value, non-voting, issuable in series;

(b) An unlimited number of common shares, having a par value of $100 (one hundred dollars) each.

The shareholder's equity of $370,328, as at March 31, 1996 is comprised of:

Issued and fully paid	1996	
	Number of shares	Amount
Preferred shares		
Class A—Series 1	500,000	50,000
Common shares	3,034,000	303,400
Total outstanding share capital		353,400
Retained earnings		16,928
Shareholder's equity		370,328

The Shareholder's equity of $288,775, as at March 31, 1995, includes $590,000 of capital paid in by Canada and an accumulated deficit of $301,225.

On July 13, 1995, the existing capital of $590,000 paid in by Canada was converted into 5,900,000 common shares of the Business Development Bank of Canada on the basis of one common share for each $100 (one hundred dollars) of capital paid in by Canada.

Effective March 31, 1996, the Board of Directors, with the approval of the Governor in Council, authorized the cancellation of 2,866,000 of those common shares and a corresponding reduction of $286,600 in paid in capital, thus eliminating $286,600 of the accumulated deficit.

During the year ended March 31, 1996, the Bank issued 500,000 Class A—Series 1 preferred shares for a cash consideration of $50,000.

Class A preferred shares, Series 1 have a fixed, preferential and cumulative dividend of 6.805% per annum, commencing April 1996 until March 31, 1999, and thereafter, to March 31, 2002 and for each subsequent three-year period, the rate shall be adjusted as at the beginning of the period, so as to equal the consolidated revenue fund's three-year term lending rate published by the Minister of Finance for the month of March last preceding the period plus 3/8ths of 1%. Such shares are exchangeable at the option of the holder, with the approval of the Minister of Finance, for fully-paid common shares on the basis of one common share for each Class A preferred share, Series 1. All dividends accumulated or declared and unpaid as at the date of exchange are payable by the Bank on a pro rata basis, as if such dividends had accrued from day-to-day.

Statutory limitations

The aggregate of borrowings and contingent liabilities of the Bank in the form of guarantees given by it may not exceed twelve times the equity of the Bank as defined in paragraph 30(2) of the *Business Development Bank of Canada Act*.

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

Moreover, the paid-in capital of the Bank, the contributed surplus and any proceeds referred to in paragraph 30(2)(d) of the Act that have been prescribed as equity, must not at any time exceed $1.5 billion.

9. Interest expense

	1996	1995
Interest on borrowings	200,696	170,685
Security and short-term investment income	(21,897)	(18,286)
	178,799	152,399

10. Operating and administrative expenses

	1996			1995		
	Financial services		Management services	Financial services		Management services
	Loans division	Venture capital division		Loans division	Venture capital division	
Salaries and staff benefits	50,592	2,020	20,547	46,676	1,829	20,181
Premises and equipment	13,035	492	3,191	23,559	531	3,246
Other expenses	31,201	1,442	9,139	29,396	1,451	9,108
Reorganization charge	20,291		350			
	115,119	3,954	33,227	99,631	3,811	32,535

Operating and administrative expenses for Management Services identified above include certain long-term accruals for pension, post-retirement and post-employment benefits which will be funded by appropriation when they are disbursed. Accordingly, these amounts are included in the loss from Management Services for the year.

11. Reorganization charge

To implement its new mandate effectively, the Bank announced a major reorganization of its operational structure, which will emphasize customer service, profitability, and an increased focus on knowledge-based, growth-oriented and exporting companies. This reorganization was approved by the Board, and implementation was commenced during the year.

The related cost of $20,641, comprising early retirement incentives, severance pay, and other related compensation has been included in the Operating and Administrative Expenses of the Bank, for the year ended March 31, 1996.

12. Off-balance sheet financial instruments

The Bank enters into hedging transactions for the sole purpose of matching its assets and liabilities and hedging market risk exposure. These transactions are designed to reduce the Bank's exposure to mismatches in revenue and expenses resulting from fluctuations in interest rates and foreign exchange.

These transactions include interest rate swap contracts, forward rate agreements, interest rate option contracts, cross-currency interest rate swap contracts, currency swap contracts, foreign exchange forward contracts, and foreign currency option contracts.

BUSINESS DEVELOPMENT BANK OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

As at March 31, the notional principal amounts or the committed amounts of the derivative instruments were as follows:

Derivatives	Expected repricing or maturity date			1996		1995	
	Under 1 year	1 to 3 1 years	3 to 5 years	Notional amount	Replacement cost**	Notional amount	Replacement cost**
Interest rate contracts							
Interest rate swap contracts	2,038,336	391,437	57,547	2,487,320	27,843	1,569,427	14,948
Forward rate agreements	539,000			539,000	111	500,000	66
Interest rate option contracts	207,354			207,354		257,354	
Cross-currency interest rate swap contracts	667,298	318,121	25,914	1,011,333	52,642	1,160,052	212,739
Foreign exchange contracts							
Currency swap contracts	57,705			57,705		57,705	
Foreign exchange forward contracts	971,080			971,080	542	1,422,940	19,375
Foreign currency option contracts		40,510		40,510		40,510	

* Based on maturity dates.

**Replacement cost represents the cost of replacing, at current market rates, all contracts in a gain position. These amounts do not reflect the impact of master netting agreements.

Interest rate swap contracts

Interest rate swap contracts are agreements between two parties to exchange interest flows on a specific notional amount for a predetermined period, based on agreed fixed and floating rates.

Forward rate agreements

Forward rate agreements are contracts negotiated between two parties to buy or sell financial instruments at future dates and at specified rates.

Interest rate option contracts

Interest rate option contracts are agreements granting the purchaser the right to either purchase from or sell to the writer of the option a specified financial instrument on agreed terms. In consideration of the interest rate risk, the seller receives a premium from the purchaser.

Cross-currency interest rate swap contracts

Cross-currency interest rate swap contracts are agreements between two parties to exchange both currencies and interest rates on a specific notional amount for a predetermined period.

Currency swap contracts

Currency swap contracts are agreements between two parties to exchange currencies at specific prices and at predetermined dates.

Foreign exchange forward contracts

Foreign exchange forward contracts are commitments to exchange two currencies at a predetermined date and at a rate agreed upon by the parties at the transaction date.

Foreign currency option contracts

Foreign currency option contracts are agreements to buy and sell specified amounts of foreign currencies at fixed prices on specified future dates.

Counterparty credit risk

The notional principal amounts of financial instruments held by the Bank are not indicative of the credit or market risk exposure associated with the contracts. The risk of loss is related only to the possibility that a counterparty to a transaction does not perform as agreed. In the event of default by a counterparty, the risk to the Bank in these transactions would be limited to the prevailing currency and/or interest rate differentials. The Bank limits its exposure to this type of risk by dealing only with financial institutions having credit ratings in accordance with the Department of Finance guidelines. The Bank continually monitors its position and the credit ratings of its counterparties. The credit exposure is calculated on a contract-by-contract basis for each counterparty and is reported as being the replacement value of all outstanding contracts, after giving effect to master netting agreements.

BUSINESS DEVELOPMENT BANK OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

At year end, counterparty credit risk exposure is as follows:

Counterparty credit risk exposure	Counterparty ratings				
	AAA	AA	AA-	A+	A
March 31, 1996	5,083	19,867	10,354	12,476	3
March 31, 1995	22,110	121,226	26,552	9,718	15

13. Contingent liabilities and commitments

As at March 31, 1996:

(a) the Bank is guarantor of loans aggregating $320.

(b) various legal proceedings arising from the normal course of business are pending against the Bank. Management considers that the aggregate liability resulting from these proceedings will not be material.

(c) the undisbursed amounts on loans and venture capital investments authorized aggregate $257,810.

(d) the future minimum lease commitments under operating leases related to the rental of Bank premises are as follows:

1997	11,164
1998	10,222
1999	8,253
2000	7,922
2001	7,588
2002-2020	133,063
	178,212

14. Employee pension benefits

Based on the latest actuarial valuation prepared as at December 31, 1995, the present value of the accrued pension benefits of the current employees and the actuarial value of the assets of the Pension Plan for the employees amounted to $256,343 and $283,077 respectively. Employee pension benefits income (excluding early retirement incentives) in the amount of $904 is included in the Statement of Income for the year ended March 31, 1996 ($1,712 expense in 1995). The cumulative difference between the amounts expensed and the funding contributions is recorded in the Balance Sheet under "Other assets" or "Other liabilities", as applicable.

15. Cultural Industries Development Fund

The Bank administers, on behalf of the Department of Canadian Heritage (DOCH), the Cultural Industries Development Fund (CIDF). The CIDF was developed to provide, under certain conditions, flexible financing and management counselling to businesses involved in the Canadian cultural industries. As stipulated in the agreement, DOCH was to finance up to $33,000 over a five-year period which commenced in 1992, part of which covers the administration and delivery of the program. A final amount of $4,279 was transferred to the CIDF in 1996 ($3,712 in 1995). This fund is not accounted for in the financial statements of the Bank.

16. Comparative financial data

Certain comparative figures have been reclassified to conform with the presentation adopted in 1996.

CANADA COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management of the Canada Council (Council) in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Canada Council Act* and by-laws of the Council.

The Council is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Council meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Council has reviewed the financial statements with the external auditor and has approved them.

The Council's external auditor, the Auditor General of Canada, examines the financial statements and reports to Council and the Minister responsible for the Council.

Roch Carrier
Director

David Hendrick
Treasurer

AUDITOR'S REPORT

TO THE CANADA COUNCIL AND THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1996 and the statements of revenue and expense, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Council as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1996

CANADA COUNCIL—*Continued*

ENDOWMENT ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Cash and short-term deposits	3,355	6,360
Parliamentary appropriation receivable	2,064	
Accrued investment income	1,389	1,653
Accounts receivable	514	427
Deferred charges	842	176
Investments (Note 5)	138,514	127,821
Capital assets (Note 6)	3,649	4,433
Works of art	17,876	17,933
	168,203	158,803

LIABILITIES	1996	1995
Bank indebtedness	6,450	3,150
Grants payable	11,764	16,368
Accounts payable and accrued liabilities	1,673	1,314
Provision for employee termination benefits	660	947
Deferred credits (Note 7)	5,340	6,037
Due to Special Funds	5,802	5,476
Due to Special Trusts (Note 8)	2,775	1,142
	34,464	34,434
EQUITY		
Fund capital		
Principal	50,000	50,000
Appropriated surplus	60,199	54,272
	110,199	104,272
Contributed surplus—Works of art	17,876	17,933
Surplus	5,664	2,164
	133,739	124,369
	168,203	158,803

Approved by Management:

ROCH CARRIER
Director

DAVID HENDRICK
Treasurer

Approved by the Council:

DONNA SCOTT
Chair

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenue		
Parliamentary appropriation	95,882	98,362
Supplementary parliamentary appropriation (Note 11)	2,064	
Net interest and dividends (Note 10)	7,086	7,367
Net gains on disposal of investments	8,044	2,210
Art Bank rental fees	1,327	1,491
Cancelled grants and refunds of grants approved in previous years	326	348
Other revenue	753	624
	115,482	110,402
Expense		
Arts Division		
Grants (Schedule 1)	84,300	86,479
Administration (Schedule 2)	8,591	10,734
Services to the arts	1,886	1,986
Works of art—Net (disposals) purchases	(97)	648
	94,680	99,847
Canadian Commission for Unesco		
Administration (Schedule 2)	992	1,108
Program	180	94
	1,172	1,202
General administration (Schedule 2)	7,556	8,648
Restructuring expenses (Note 11)	2,647	
	106,055	109,697
Excess of revenue over expense for the year	9,427	705

STATEMENT OF EQUITY
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Fund capital		
Principal	50,000	50,000
Appropriated surplus		
Balance at beginning of the year	54,272	52,062
Appropriated from surplus during the year (Note 9)	5,927	2,210
Balance at end of the year	60,199	54,272
Balance of Fund capital at end of the year	110,199	104,272
Contributed surplus—Works of art		
Balance at beginning of the year	17,933	17,322
Net (disposals) purchases and adjustments during the year	(57)	611
Balance at end of the year	17,876	17,933
Surplus		
Balance at beginning of the year	2,164	3,669
Excess of revenue over expense for the year	9,427	705
Appropriated during the year (Note 9)	(5,927)	(2,210)
Balance at end of the year	5,664	2,164

STATEMENT OF CHANGES IN FINANCIAL POSITION
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Excess of revenue over expense for the year	9,427	705
Items not affecting cash		
Amortization	784	843
Employee termination benefits	(287)	(126)
	9,924	1,422
Change in non-cash operating assets and liabilities	(5,536)	1,496
Funds provided by operating activities	4,388	2,918
Investing activities		
Increase in investments	(10,693)	(3,991)
Acquisition of capital assets		(174)
Funds applied to investing activities	(10,693)	(4,165)
Decrease in funds	(6,305)	(1,247)
Cash and short-term deposits at beginning of the year	3,210	4,457
Cash position at end of the year	(3,095)	3,210
Composed of:		
Cash and short-term deposits	3,355	6,360
Bank indebtedness	(6,450)	(3,150)
	(3,095)	3,210

CANADA COUNCIL—*Continued*

SPECIAL FUNDS

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995	LIABILITIES	1996	1995
Cash and short-term deposits	2,213	3,008	Grants payable	2,786	2,596
Accrued interest and accounts receivable	543	559	Accounts payable and accrued liabilities	67	30
Investments (Note 5)	46,012	42,675		2,853	2,626
Due from Endowment Account	5,802	5,476			
Musical instruments	930	930	EQUITY		
			Fund capital		
			Principal	35,328	35,306
			Appropriated surplus	16,447	14,040
				51,775	49,346
			Surplus	872	676
				52,647	50,022
	55,500	52,648		55,500	52,648

Approved by Management:

ROCH CARRIER
Director

DAVID HENDRICK
Treasurer

Approved by the Council:

DONNA SCOTT
Chair

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE OF THE SPECIAL FUNDS FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	1996	1995
Revenue		
Net interest and dividends (Note 10)	3,188	2,941
Net gains on disposal of investments	2,407	1,472
Other revenue	157	68
	5,752	4,481
Expense		
Grants	2,753	2,633
Administration	396	434
	3,149	3,067
Excess of revenue over expense for the year	2,603	1,414

STATEMENT OF EQUITY OF THE SPECIAL FUNDS (Note 4) FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	1996	1995
Fund capital		
Principal		
Balance at beginning of the year	35,306	35,306
Contributions received	22	
Balance at end of the year	35,328	35,306
Appropriated surplus		
Balance at beginning of the year	14,040	12,568
Appropriated from surplus during the year (Note 9)	2,407	1,472
Balance at end of the year	16,447	14,040
Balance of Fund capital at end of the year	51,775	49,346
Surplus		
Balance at beginning of the year	676	734
Excess of revenue over expense for the year	2,603	1,414
Appropriated during the year (Note 9)	(2,407)	(1,472)
Balance at the end of the year	872	676

STATEMENT OF CHANGES IN FINANCIAL POSITION OF THE SPECIAL FUNDS FOR THE YEAR ENDED MARCH 31, 1996 (in thousands of dollars)

	1996	1995
Operating activities		
Excess of revenue over expense for the year	2,603	1,414
Change in non-cash operating assets and liabilities	(83)	158
Funds applied to operating activities	2,520	1,572
Financing activities		
Contributions received	22	
Funds provided by financing activities	22	
Investment activities		
Increase in investments	(3,337)	(2,681)
Decrease in funds	(795)	(1,109)
Cash and short-term deposits at beginning of the year	3,008	4,117
Cash and short-term deposits at end of the year	2,213	3,008

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority, operations and objectives

The Canada Council was established by the *Canada Council Act* in 1957 which authorized the creation of an Endowment Fund of $50 million pursuant to Section 13 of the *Act*. Except for the annual parliamentary appropriation, monies or properties donated to the Council pursuant to Section 18 of the *Act* are generally accounted for as Special Funds or Special Trusts. The Council has been assigned the functions and duties for the Canadian Commission for Unesco pursuant to paragraph 8(2) of the *Act*. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of, works in the arts.

2. Significant accounting policies

The most significant accounting policies are:

(a) Investments

Equities, bonds, debentures and mortgages are recorded at cost. Special Funds with capital in excess of $250,000 and received after January 1, 1990 are merged with the Endowment Account. The participation of each fund is calculated on the basis of market value as at the date the monies are received. Interest, dividends, gains and losses on disposal of investments are allocated to each fund based on the percentages established at the beginning of each quarter.

Special Funds with capital of less than $250,000 and Special Trusts earn interest calculated quarterly using the ninety day Treasury Bill rate at the beginning of the quarter.

Investments are written down to market value when the loss in value is considered to be a permanent decline.

Premiums and discounts on fixed term investments are not amortized but are included in gains and losses on disposal.

(b) Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Monetary assets denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the end of the year.

(c) Capital assets

Equipment and leasehold improvements are recorded at cost and amortized over their estimated useful lives on the straight-line method, as follows:

Computer and other equipment	5 years
Leasehold improvements	term of the lease

Gains and losses on disposals are netted against the amortization expense in the year of disposal.

(d) Works of art

Works of art acquired by the Canada Council Art Bank are recorded at laid-down cost and no amortization is recorded.

(e) Donated property—Special Funds

Donated property is recorded at appraised value and the amount is credited to the principal of the fund capital.

(f) Musical instruments—Special Funds

Musical instruments are recorded at cost and no amortization is recorded.

(g) Special Funds and Special Trusts

Special Funds and Special Trusts include amounts received by the Canada Council by way of bequest, gift or donation and may be specific as to purpose.

Special Funds are managed at the full discretion of the Canada Council and are invested in accordance with the policies of the Endowment Fund.

Special Trusts are either managed or allowed to have their capital drawn down, in accordance with the donor's wishes.

(h) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which employees become eligible.

(i) Contributed surplus—Works of art

Amounts paid during the year for the purchase of works of art acquired by the Canada Council Art Bank are expensed. Such purchases, net of any proceeds from sales of works of art, are then capitalized as contributed surplus—Works of art.

(j) Capitalization of net income of Special Funds

The Council normally capitalizes 10% of the revenue less administration expenses of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these Funds in order to preserve the equity for future beneficiaries. However, the Council reserves the right to draw at any time on the accumulated net income capitalized, for the purposes of the funds.

(k) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council. The Council is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(l) Parliamentary appropriations

Parliamentary appropriations to the Council are recorded as revenue in the year in which they are approved by Parliament.

(m) Grants and services

Grants are recorded as an expense in the year for which they are approved by Council. Cancelled grants and refunds of grants approved in previous years are shown as revenue.

Services to the arts, which include juries, advisory committees, prizes and other costs that directly serve artists or the arts community, are recorded as expenses in the year in which they are incurred.

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—Continued

3. Change in accounting policy

As indicated in Note 2(b), monetary assets denominated in foreign currencies are now translated at the exchange rate in effect at the end of the year rather than the historical exchange rate. This change in accounting policy has been recorded prospectively as the financial impact is not significant.

4. Special Funds

(a) Izaak Walton Killam Memorial

A bequest of $12,339,615 in cash and securities was received from the estate of Mrs. Dorothy J. Killam. The net income from this fund is to be used "to provide scholarships for advanced study or research in any field of study or research other than the 'arts' as presently defined in the *Canada Council Act* and not limited to the 'humanities and social sciences' referred to in such *Act*".

The bequest contains the provision that the fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council, and in the event that the Canada Council should ever be liquidated or its existence terminated or its powers and authority changed so that it is no longer able to administer any Killam Trust, the assets forming any such Killam Trust shall thereupon be paid over to certain universities which have also benefited under the will. The cash and securities received and the proceeds have been invested in a separate portfolio.

The fund equity as at March 31, 1996 was $22,251,678 (1995—$20,936,946).

(b) Killam Special Scholarship

This fund was established by way of securities received from Mrs. Dorothy J. Killam. Dividends and proceeds from the redemption of those securities amounted to $13,653,344.

The net income from this fund is available to provide fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering.

The fund equity as at March 31, 1996 was $20,972,664 (1995—$19,975,413).

(c) Jean A. Chalmers

An endowment of $500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

The fund equity as at March 31, 1996 was $521,793 (1995—$510,393).

(d) Molson Prize

Gifts of $1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians "for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences".

The fund equity as at March 31, 1996 was $1,895,268 (1995—$1,797,651).

(e) Lynch-Staunton

This fund was established by a bequest in cash of $699,066 received from the estate of V.M. Lynch-Staunton, the income from which is available for the regular programs of the Council.

The fund equity as at March 31, 1996 was $1,864,079 (1995—$1,759,411).

(f) Vida Peene

This fund was established by a bequest in cash of $599,761 received from Vida Peene to provide payments to specified organizations.

The fund equity as at March 31, 1996 was $599,761 (1995—$599,761).

(g) Joseph S. Stauffer

This fund was established by bequests in cash totalling $400,000 from the estate of Joseph S. Stauffer, the income from which is to provide prizes to encourage promising young Canadians in the fields of music, visual arts and literature.

The fund equity as at March 31, 1996 was $456,306 (1995—$458,589).

(h) John G. Diefenbaker

The Council received an endowment of $1,000,000 from the Government of Canada. The income from this endowment is to be used to provide an annual grant to a German scholar to engage in research or advanced studies in Canada.

The fund equity as at March 31, 1996 was $1,202,095 (1995—$1,173,109).

(i) Coburn Fellowship

This fund was established by a bequest totalling $945,363 received from the estate of Kathleen Coburn. The income from the fund is to provide for exchanges of scholars between Israël and Canada.

The fund equity as at March 31, 1996 was $1,098,005 (1995—$1,042,910).

(j) Other

The following Special Funds have an original capital of less than $250,000 and have a total fund equity as at March 31, 1996 of $1,784,981 (1995—$1,768,387).

(i) Frances Elizabeth Barwick and J.P. Barwick

Bequests totalling $93,000 in cash were received from the estates of Mrs. Frances Elizabeth Barwick and J.P. Barwick. The total fund is to be used for the benefit of the musical arts and is being used for the Council's Musical Instrument Bank.

(ii) John B.C. Watkins

This fund was established by a bequest consisting of the net income from the residue of the estate of the late John B.C. Watkins to provide scholarships for postgraduate studies.

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

(iii) The Duke and Duchess of York Prize in Photography

The Council received an endowment of $170,000 from the Government of Canada to mark the occasion of the marriage of The Duke and Duchess of York. The income from this endowment is to be used to provide an annual scholarship to a professional artist for personal creative work or advanced study in photography.

(iv) Petro Canada Award

Petro Canada donated $50,000 toward an award in the media arts. The income from this donation is to be used to provide an award every two years to an artist who has achieved outstanding and innovative use of new technology in the media arts.

(v) Ronald J. Thom Award

The Council was the beneficiary of donations totalling $106,898 to provide an award every two years "to a candidate in the early stages of his or her career in architecture, who demonstrates outstanding creative talent in architectural design and a sensitivity to its allied arts".

(k) Funds will eventually be received from the following bequests:

(i) Edith Davis Webb

This fund, estimated at $400,000, is intended "for the purpose of making grants or establishing scholarships for musical study in such manner as the Council shall determine".

(ii) John Stephen Hirsch

This fund, the amount of which cannot be determined at this time, is being established from the estate of John Hirsch for specific purposes. An interim distribution of $135,000 has been received from the estate.

5. Investments

	1996		1995	
	Cost	Market value	Cost	Market value
	(in thousands of dollars)			
Endowment Account				
Equities	79,950	102,935	69,831	85,206
Bonds	58,095	59,869	57,468	57,580
Mortgages	469	469	522	522
	138,514	163,273	127,821	143,308
Special Funds				
Equities	26,561	31,257	21,913	24,396
Bonds	19,357	19,622	20,635	20,380
Mortgages	94	94	127	127
	46,012	50,973	42,675	44,903

6. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Computer equipment	2,227	1,670	557	858
Other equipment	788	708	80	123
Leasehold improvements	5,205	2,193	3,012	3,452
	8,220	4,571	3,649	4,433

7. Deferred credits

	1996	1995
	(in thousands of dollars)	
Deferred lease inducement	4,150	4,722
Deferred rent	360	480
Art Bank—Rentals of works of art	292	469
Canadian Commission for Unesco	473	336
Other	65	30
	5,340	6,037

The deferred lease inducement represents an inducement payment received from the landlord and is being amortized against rental accommodation expense over the term of the lease. Deferred rent represents an amount received from another federal government agency to cover the rental of space over the next four years. Amounts from the Canadian Commission for Unesco represent funds received for specific programs for which expenses have not yet been incurred. Funds received during the year amounted to $356,000 (1995—$585,000); funds expended during the year amounted to $219,000 (1995—$610,000).

8. Due to Special Trusts

These funds have been accounted for separately due to special conditions related to the donations. Trusts with balances exceeding $50,000 are:

(i) Glenn Gould Prize Fund

The Council has received $525,113 from the Glenn Gould Memorial Foundation to provide a prize of $50,000 every three years (funds permitting) to an outstanding individual for his or her original contribution to the field of music and communications. As at March 31, 1996, the balance stood at $917,900 (1995—$910,864).

(ii) Japan-Canada Literary Prize

The Council received an endowment of $966,651 from the Government of Japan "to further strengthen the relations between Canada and Japan". The balance of the endowment is to be used to fund an annual literary prize of $10,000. As at March 31, 1996, the balance stood at $257,519 (1995—$304,242).

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

(iii) Japan-Canada Fund

During the year the Council received endowments totalling $2,077,800 from the Government of Japan. The endowments are to be used primarily to fund Japanese artists' participation in Canadian cultural activities. As at March 31, 1996, the balance stood at $1,600,004 (1995—$nil).

9. Appropriation of Surplus

The Council has approved a resolution for the appropriation of Surplus to the Fund capital as at March 31, 1996 of $5,927,000 for the Endowment Account and $2,407,000 for the Special Funds in order to provide for the continued growth of fund capital.

10. Net interest and dividends

	1996	1995
	(in thousands of dollars)	
Endowment Account		
Interest and dividends	7,650	7,883
Investment portfolio management costs	(564)	(516)
Net interest and dividends	7,086	7,367
Special Funds		
Interest and dividends	3,341	3,080
Investment portfolio management costs	(153)	(139)
Net interest and dividends	3,188	2,941

11. Restructuring expenses

On March 1, 1995 the Canada Council released its Strategic Plan entitled *The Canada Council: A Design for the Future.* The plan called for the Council to undertake a major restructuring of its program and administrative sections over the next three years. During the year, as outlined in the Plan, the Council negotiated the transfer of financial involvement for pre professional training, including the National Ballet School and the National Theatre School, to the Department of Canadian Heritage. Also, Council has reduced the salary envelope through retirements and layoffs. The cost of the severence packages and related expenses was $2,647,000. These restructuring expenses were partially offset through receipt of a supplementary parliamentary appropriation of $2,064,000.

12. Commitments

(a) Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants approved prior to March 31, 1996 are payable as follows:

	(in thousands of dollars)
1997	19,984
1998	1,877

(b) The Council is party to long-term leases with respect to rental accommodation. The aggregate minimum annual rental is as follows:

	(in thousands of dollars)
1997	3,397
1998	3,439
1999	3,614
2000	2,973
2001	2,559
2002-2004	6,610

The annual rentals have been reduced as a result of subleases with Public Works and Government Services Canada.

13. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council enters into transactions with Government of Canada departments, agencies and Crown Corporations in the normal course of business, at the same trade terms applicable to all individuals and enterprises.

CANADA COUNCIL—*Concluded*

SCHEDULE OF GRANT EXPENSES BY SECTION
OF THE ENDOWMENT ACCOUNT (Note 11)
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars) SCHEDULE 1

	1996	1995
Theatre	14,889	16,408
Music	14,848	14,822
Writing and Publishing	12,213	12,311
Arts Awards	10,135	10,088
Dance	10,075	10,000
Public Lending Right Commission	6,095	6,184
Visual Arts	5,453	5,388
Media Arts	4,337	4,271
Touring Office	4,035	4,008
Explorations	2,085	2,954
Other	135	45
	84,300	86,479

SCHEDULE OF ADMINISTRATION EXPENSES
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars) SCHEDULE 2

				Total	
	Arts	Canadian Commission for Unesco	General	1996	1995
Salaries	4,754	624	2,835	8,213	10,753
Employee benefits	852	116	518	1,486	1,805
Office accommodation	1,910	129	1,437	3,476	3,452
Professional and special services	254	30	604	888	1,527
Amortization	59		725	784	843
Communications	260	24	273	557	490
Staff travel	327	59	97	483	684
Printing, publications and duplicating	29	8	444	481	195
Informatics	22		305	327	242
Meeting expenses including members' honoraria	48		177	225	226
Office expenses and equipment	33	2	136	171	174
Miscellaneous	43		5	48	99
	8,591	992	7,556	17,139	20,490

CANADA DEPOSIT INSURANCE CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Canada Deposit Insurance Corporation and the information related to the financial statements in this Annual Report are the responsibility of management. The financial statements have been approved by the Board of Directors. They include some amounts, such as the allowance for losses on loans and claims receivable, the provision for guarantees and the general provision for loss, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Financial information presented elsewhere in the Annual Report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. The system of internal control is augmented by internal audit, which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have free access to the audit committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting and recommending the Annual Report and financial statements to the Board of Directors.

These financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

J. P. Sabourin
President and Chief Executive Officer

Johanne R. Lanthier
Vice-President, Finance

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Canada Deposit Insurance Corporation as at March 31, 1996 and the statements of operations and insurance deposit fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 3, 1996

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995	LIABILITIES	1996	1995
Cash and short-term investments	292,985	55,814	Accounts payable	28,425	32,400
Premiums and other accounts receivable	11,700	13,364	Provision for guarantees (Notes 3, 5 and 6)	691,271	907,483
Capital assets	1,655	1,815	General provision for loss (Note 6)	150,000	250,000
	306,340	70,993			
Loans receivable (Notes 3 and 4)	567,091	770,570	Loans from the Consolidated Revenue Fund (Note 7)	1,640,141	2,174,423
Claims receivable (Note 4)	478,933	1,276,607			
	1,046,024	2,047,177		2,509,837	3,364,306
Allowance for losses on loans and claims receivable (Note 6)	(143,500)	(501,000)	DEPOSIT INSURANCE FUND		
	902,524	1,546,177	Deficit, end of period	(1,300,973)	(1,747,136)
	1,208,864	1,617,170		1,208,864	1,617,170

Approved by the Board:

G.L. REUBER
Chairman

H. MARCEL CARON
Director

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEPOSIT INSURANCE FUND
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenues		
Premiums	537,742	513,050
Interest on cash and short-term investments	9,134	8,797
Other revenue	5,677	3,429
	552,553	525,276
Expenses		
Interest on loans from the Consolidated Revenue Fund (Note 7)	121,917	181,959
Provision for loss (reversal) (Note 6)	(29,603)	430,101
Recovery of amounts previously written off	(3,910)	(6,419)
Operating expenses (Note 11)	13,961	14,096
Intervention expenses	3,573	5,013
Other interest	452	10
	106,390	624,760
Gain (loss) from operations	446,163	(99,484)
Deficit, beginning of period	(1,747,136)	(1,647,652)
Deficit, end of period	(1,300,973)	(1,747,136)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Gain (loss) from operations	446,163	(99,484)
Non-cash items included in gain (loss) from operations		
Provision for loss (reversal)	(29,603)	430,101
Other	(3,013)	(6,610)
Other non-cash items		
Increase in provision for guarantees		500,000
Increase in loans receivable		(500,000)
Purchase of capital assets—Net	(420)	(455)
Payment out of the general provision for loss	(60,228)	
Payment of guarantees	(281,712)	(104,066)
Loans disbursed	(48,638)	(2,376)
Loans recovered	103,648	651,143
Claims paid		(872,779)
Claims recovered	643,974	1,025,249
Cash provided by operating activities	770,171	1,020,723
Financing activities		
Loans from the Consolidated Revenue Fund		
Advances	250,000	350,000
Repayments	(783,000)	(1,341,000)
Cash used in financing activities	(533,000)	(991,000)
Cash and short-term investments		
Increase during the period	237,171	29,723
Balance, beginning of period	55,814	26,091
Balance, end of period	292,985	55,814

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority and objective

The Corporation was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental in the furtherance of its objects including acquiring assets from, and providing guarantees or loans to, a member institution. It may make or cause to be made inspections of member institutions, prescribe standards of sound business and financial practices, and act as liquidator, receiver or inspector of a member institution or a subsidiary thereof.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles.

These financial statements do not reflect the assets, liabilities or operations of member institutions in which the Corporation has intervened.

Premium revenue

Premiums are recognized when assessed and are based on insured deposits with member institutions as at April 30 of each year. Premiums are collectible in two equal instalments, on June 30 and December 31.

Short-term investments

Sufficient liquidity is maintained to meet general operating requirements as well as borrowing obligations to the Consolidated Revenue Fund. These investments, consisting of marketable securities and term deposits, are carried at cost.

Interest revenue

The Corporation charges interest on loans it disburses in accordance with the specific terms of the loan agreements. This interest continues to accrue to the benefit of the Corporation but is not recognized in the accounts when an insolvent member institution is placed in liquidation or when, in the opinion of management, there is a reasonable doubt as to the ultimate collectibility of the interest. In such cases, cash receipts are recognized as a reduction of the loan principal until such time as the loans are retired. Subsequent cash receipts are recognized as other revenue on a cash basis.

In some cases, amounts recovered from the estates of liquidated member institutions exceed the amount of the Corporation's claim against the institution. In these instances, interest on claims is recorded as other revenue on a cash basis.

Provisions for loss

The Corporation has three types of provisions for loss in its financial statements:

<u>Loans and claims receivable</u>—The allowance for losses on loans and claims receivable is determined on an annual basis and reflects the management's best estimate of losses in respect of claims against insolvent member institutions arising from payments made to insured depositors and loans made to member institutions and others under a loan agreement. The allowance is established by assessing, among other things, business plans—which include asset disposition strategies, forecasted distributions to creditors, the requirement to refund advances received against future distributions, and commitments under various agreements—and other information provided by the liquidators of the various estates and/or agents acting on behalf of the Corporation.

Loans and claims receivable are written off in full or in part when, in the opinion of management, there is a reasonable certainty that the loan or claim will not be fully realized. From time to time, the Corporation collects amounts previously written off in loans and claims receivable. In such cases, the amounts received are recorded as a reversal to the provision for loss.

<u>Guarantees</u>—In facilitating certain transactions affecting member institutions, the Corporation provides certain guarantees. The amount required to honour these guarantees is determined on an annual basis and is based on the estimated future cash requirements to meet these obligations.

<u>General</u>—The general provision for loss is determined on an annual basis and reflects the Corporation's best estimate of losses on insured deposits of member institutions. The provision is established by assessing the aggregate risk in the member institutions based on current market and economic conditions, and by applying historical loss experience.

3. Reclassification in 1995 financial statements

In 1994, Adelaide Capital Corporation (ACC), a successor to a former member institution, refinanced its debt structure through an issue of distress preferred shares (DPS). At that time, the Corporation provided a guarantee of redemption to the purchasers of these shares. Under the agreement, the Corporation will purchase the DPS at face value, when they mature. The shares will then be redeemed by ACC in consideration for a loan payable to the Corporation. ACC used the $500 million proceeds from the issue of the DPS to repay part of its loan with the Corporation. In its 1995 financial statements, the Corporation recognized the net effect of the transaction and applied the $500 million as a recovery against the loan to ACC.

This year, management decided that it is appropriate to present this transaction on a gross basis as it expects that it will have to honour its guarantee and therefore established a provision for guarantee of $500 million and a corresponding increase to its loan receivable from ACC. It is management's opinion that the full amount of the loan will be collected.

The financial statements for 1995 have been restated to reflect these adjustments. These changes have no effect on the operating results and the accumulated deficit.

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

4. Loans and claims receivable

Claims against insolvent member institutions arise from the subrogation of the rights and interests of depositors when the Corporation pays the depositors' insurance claims. The Corporation also asserts a claim against insolvent member institutions in liquidation, arising out of loans previously disbursed by the Corporation. The Corporation has asserted claims against all the insolvent member institutions that have been placed in liquidation.

Pursuant to subsection 10(1) of the *CDIC Act*, the Corporation made secured loans to member institutions and others under the provisions of loan agreements. In management's opinion there is reasonable doubt as to the collectibility of interest revenue on these loans. Consequently, no interest revenue was recognized during the year.

As part of the facilitation of the sale of North American Trust Company (NAT) and its subsidiary NAL Mortage Company (the NAL transaction) to the Laurentian Bank of Canada (Laurentian Bank), the remaining amount of a $175 million loan previously made to the parent of NAT, NAL Trustco Inc., was written off during the year. In addition, a portion of Laurentian Bank's purchase amount was in the form of a three-year note, the proceeds of which were assigned to the Corporation, and which is abatable in respect of specified losses experienced on the purchased portfolio during the term of the note and other items.

5. Provision for guarantees

The Corporation has provided various types of guarantees to member institutions or others in order to facilitate certain transactions affecting member institutions. The following table presents the guarantees outstanding at March 31, 1996 and 1995, along with the corresponding provisions.

	1996		1995	
	Guarantee	Provision	Guarantee	Provision
	(in millions of dollars)			
Deficiency coverage ..	2,120.0	107.4	2,661.0	365.0
Distress preferred shares	655.0	500.0	665.0	500.0
Other...............	128.0	83.9	42.5	42.5
Total	2,903.0	691.3	3,368.5	907.5

Deficiency coverage agreement

In order to facilitate the sale of troubled member institutions, the Corporation guaranteed a portion of the principal and income losses that may occur on eligible assets. These guarantees, also referred to as deficiency coverage agreements or DCAs will continue to be in force on a diminishing basis until the year 2002. As described in Note 4, during the year the Corporation facilitated the NAL transaction, which exhausted the coverage available under the DCA agreement signed in 1992.

Distress preferred shares

The Corporation provided guarantees to the investors of distress preferred shares issued by ACC in 1994. These shares must be redeemed within five years from the date of issue. The Corporation will finance the redemption of these shares and has recognized the liability.

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

Other

With respect to the NAL transaction, the Corporation has certain obligations to settle with the purchasers under various sale agreements. As a result, the Corporation has recognized a liability for future setttlement of these obligations.

Other guarantees are provided by the Corporation from time to time to facilitate the conduct of its business. Payments under such guarantees will occur if the conditions in the agreements are met.

6. Provisions for loss

The following table is a continuity schedule for the provisions for loss on loans and claims receivable, guarantees and the general provision as at March 31, 1996.

	1996				1995
	Loans and claims receivable	Guarantees	General provision	Total	Total
	(in thousands of dollars)				
Beginning of period	501,000	907,483	250,000	1,658,483	1,275,448
Provision for loss (reversal)	(55,331)	65,500	(39,772)	(29,603)	430,101
Write-offs	(302,169)			(302,169)	(443,000)
Distress preferred shares					500,000
Payments		(281,712)	(60,228)	(341,940)	(104,066)
End of period	143,500	691,271	150,000	984,771	1,658,483

These estimates are determined using the best information available at the time they are prepared. However, future events and economic conditions are not predictable with certainty, and therefore the actual losses may be different from these estimates.

7. Loans from the Consolidated Revenue Fund

Subject to Governor-in-Council approval, the Corporation may borrow up to $6 billion from the Consolidated Revenue Fund.

As at March 31, 1996, the Corporation has $1,640 million in outstanding loans including accrued interest of $13 million (March 31, 1995—$2,174 million, including accrued interest of $14 million).

These loans bear interest at various annual rates ranging from 5.87% to 7.33% (1995—4.49% to 8.34%) and the principal is repayable according to the following schedule:

Period ending March 31	Amount (in millions of dollars)
1997	872
1998	460
1999	295
Accrued interest as at March 31, 1996	13
	1,640

CANADA DEPOSIT INSURANCE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

8. Income taxes

The Corporation is subject to federal income tax and has available losses that can be carried forward to reduce future years' earnings for tax purposes.

Such losses total $1,158.1 million and expire as follows:

Year	Amount (in millions of dollars)
1997	143.3
1998	141.8
1999	224.1
2000	224.6
2001	96.4
2002	202.4
2003	125.5
	1,158.1

9. Contingent liabilities

The Corporation is a defendant in a number of judicial actions arising out of the collapse or insolvency of various member institutions.

The Corporation does not believe it has any liability as a result of these actions and has not provided for any potential claims.

10. Insured deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions as described in Note 2, as at April 30, 1995 and 1994, were as follows:

	1995	1994
	(in billions of dollars)	
Federal Institutions	307	291
Provincial Institutions	16	17
	323	308

In accordance with paragraph 21(1)(b) of the *CDIC Act*, the premium rate for the premium year 1996 was set at one-sixth of one percent of insured deposits, the same rate as in 1995.

11. Operating expenses

	1996	1995
	(in thousands of dollars)	
Salaries and other personnel costs	6,362	6,143
Inspection, legal and other fees	2,097	2,548
General expenses	2,170	2,145
Premises	2,448	2,322
Data processing	884	938
	13,961	14,096

12. Comparative figures

In addition to disclosure in Note 3, certain of the 1995 figures have been reclassified to conform with the presentation adopted for 1996.

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canada Development Investment Corporation are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgments. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the financial statements.

CDIC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial records are reliable, form a proper basis for the preparation of financial statements and that CDIC's assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this report principally through its audit committee, consisting solely of outside directors. The audit committee reviews CDIC's annual consolidated financial statements and reports its findings to the Board for their consideration and approval. The audit committee also meets with management and with the Shareholder's Auditors to discuss auditing matters and financial reporting issues. Due to its size, and as permitted by Order in Council, CDIC is exempt from the requirement to carry out internal audits.

These consolidated financial statements have been audited by the shareholder's auditors, the Auditor General of Canada and KPMG Peat Marwick Thorne whose report is presented separately.

Benita M. Warmbold
Executive Vice-President
Canada Development Investment Corporation

AUDITORS' REPORT

TO THE MINISTER OF FINANCE

We have audited the consolidated balance sheet of Canada Development Investment Corporation as at December 31, 1995 and the consolidated statements of income (loss) and accumulated deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation and its wholly-owned subsidiaries.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
March 7, 1996

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

ASSETS	1995	1994
Current assets		
Cash and short-term investments	31,975	24,664
Cash on deposit in the Consolidated Revenue Fund (Note 4)	73,560	
Cash restricted as to use (Note 8(c))	10,000	10,000
Receivables	326	468
Shares of Cameco Corporation held for sale (Note 6)		64,438
	115,861	99,570
Investments		
Non-consolidated subsidiaries, at cost (Note 5)	7,025	9,296
Other investments (Note 6)	17,175	17,175
	24,200	26,471
Other assets	206	340
	140,267	126,381

LIABILITIES AND SHAREHOLDER'S EQUITY	1995	1994
Current liabilities		
Accounts payable and accrued liabilities (Note 8(b))	9,251	8,831
Notes payable to Atomic Energy of Canada Limited (Notes 5(b) and 8(c))	17,025	19,296
	26,276	28,127
Shareholder's equity		
Capital stock		
Authorized—Unlimited number of common shares		
Issued and fully paid—101 common shares	1	1
Contributed surplus (Note 7)	743,184	743,184
Accumulated deficit	(629,194)	(644,931)
	113,991	98,254
Contingencies (Notes 2, 5(a) and 8)		
	140,267	126,381

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

DON SHAVER
Director

WILLIAM ROSS
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND ACCUMULATED DEFICIT
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Corporate operations		
Interest earned on short-term investments	3,371	1,649
Dividend and other income	2,206	4,579
	5,577	6,228
Corporate and divestiture expenses	(3,810)	(4,562)
Corporate income, net	1,767	1,666
Financial expense, net		(28,906)
Gain on sale of Cameco shares (Note 6)	24,122	6,002
Provision for waste disposal costs (Note 8 (b))	(152)	(563)
Net income (loss)	25,737	(21,801)
Accumulated deficit, beginning of year	(644,931)	(613,130)
Dividends	(10,000)	(10,000)
Accumulated deficit, end of year	(629,194)	(644,931)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Operations		
Cash provided by corporate operations (Note 9)	2,311	242
Dividends paid	(10,000)	(10,000)
	(7,689)	(9,758)
Financing		
Net increase in short-term debt		29,774
Repayment of long-term debt		(50,000)
Interest and financing expenses		(30,352)
Debt and interest assumed by the Government of Canada		(448,294)
Contributed surplus (Note 7)		448,294
		(50,578)
Investing		
Proceeds from sale of Ginn Publishing		10,385
Proceeds from sale of Cameco shares	88,560	48,960
	88,560	59,345
Increase (decrease) in cash	80,871	(991)
Cash, beginning of year	24,664	25,655
Cash, end of year	105,535	24,664

For purposes of this statement, cash and increase (decrease) in cash includes cash and short-term investments and cash on deposit in Consolidated Revenue Fund and excludes cash transactions relating to cash restricted as to use.

The accompanying notes are an integral part of these consolidated financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995
(All dollar amounts are stated in thousands)

1. The corporation

Canada Development Investment Corporation ("the corporation" or "CDIC") was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly-owned by Her Majesty in Right of Canada. The corporation is subject to the *Financial Administration Act* and is an agent of Her Majesty.

2. Activities of the corporation

In 1984, the corporation commenced the disposition of its investments in Massey-Ferguson Limited, now Varity Corporation ("Varity") and Massey-Combines Corporation ("Massey-Combines"), Canadair Limited ("Canadair"), The de Havilland Aircraft of Canada, Limited ("de Havilland") and Canada Eldor Inc. ("CEI") in an orderly fashion. Disposals of the corporation's investments in de Havilland and Canadair were completed in 1986. The remaining investment in Massey-Combines was written off in 1988.

During 1988, the operating assets of CEI were transferred to Cameco Corporation ("Cameco") in exchange for notes and 38.5% investment in Cameco. Through dilution and four secondary share sales the corporation has now completed the sale of its investment in Cameco.

Beginning in December, 1992 the Government of Canada ("Government") assumed responsibility for payment of certain of CEI's debt which was required to allow CEI to remain within its statutory borrowing authority.

As a result of the sale of the remaining Cameco shares and the assumption of CEI's debt by the Government in 1995, CEI is left for the net cash proceeds from the final sale of Cameco shares as its only significant asset. CEI's remaining significant obligations are the contingencies discussed in Note 8.

During 1988, the corporation acquired the following two subsidiaries from Atomic Energy of Canada Limited ("AECL"):

(a) Nordion International Inc. ("Nordion"); and

(b) Theratronics International Limited ("Theratronics").

In November, 1991 the corporation sold Nordion (see Note 8(c)).

Pursuant to a directive received from the Government, the corporation acquired during 1989, a 51% interest in Ginn Publishing Canada Inc. ("Ginn Publishing") from Paramount Communications (Canada) Limited. Pursuant to a directive received from the Government, in February, 1994 the corporation sold its interest in Ginn Publishing.

On March 19, 1993 Canada Hibernia Holding Corporation ("CHHC") acquired for no cost an 8.5% interest in the Hibernia Development Project and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC is a wholly-owned subsidiary of the corporation whose sole purpose is the holding, management, funding and ultimately, disposal of the 8.5% interest in the Hibernia Development Project.

The corporation holds 1,250,000 class II preferred shares of Varity.

During 1995, the corporation entered into a general conveyance with Cartierville Financial Corporation Inc. ("CFC"), an inactive wholly-owned subsidiary of CDIC, which provided for the transfer of all of the remaining assets and liabilities in CFC to the corporation. CFC has been substantially wound up.

The Board of Directors of the corporation is continuing to develop approaches to the divestiture of the corporation's remaining investments.

3. Significant accounting policies

(a) Basis of consolidation

The financial statements of CEI, a wholly-owned subsidiary, has been consolidated with those of the corporation.

(b) Investments in non-consolidated subsidiaries

The corporation's investments in subsidiaries acquired with the intention that they be disposed of or privatized in the foreseeable future are considered to be temporary investments and are carried at the lower of cost and net realizable value. If no reliable estimate of net realizable value is available, the investment is carried at cost. The corporation's investment in CHHC is considered to be temporary investment and is accounted for in accordance with this policy.

The corporation's investments in subsidiaries acquired with the intention that they be disposed of or privatized in the foreseeable future and for which the corporation will not benefit from the ultimate gains or losses on disposition are carried at the corporation's proportionate interest in the underlying net book value of the subsidiaries, offset by a liability reflecting the corporation's obligation to forward any proceeds of disposition to another entity. The corporation's investment in Theratronics is accounted for in accordance with this policy.

The financial statements of CHHC and Theratronics are attached.

(c) Other investments

The corporation's investment in Cameco is accounted for using the cost method. Under this method, any dividends received are recorded as revenue by the corporation.

The investment in Varity securities is carried at cost, less proceeds received on disposition.

(d) Short-term investments

Short-term investments are valued at cost which approximates market.

4. Cash on deposit in the Consolidated Revenue Fund

In April, 1995 CEI deposited $73,560 in a non-interest bearing special purpose account in the Consolidated Revenue Fund ("CRF"). Funds can be drawn out of the account to extinguish any liability of CEI.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Continued*

5. Investment in non-consolidated subsidiaries

The corporation's investments in subsidiaries are as follows:

	December 31, 1995	1994
CHHC (a)		
Theratronics (b)	7,025	9,296
	7,025	9,296

(a) CHHC

CHHC was acquired with the intention that it be disposed of in the foreseeable future; accordingly, the corporation accounts for its investment in CHHC as a temporary investment and this investment is not consolidated.

On March 19, 1993 CHHC acquired for no cost an 8.5% working interest in the Hibernia Development Project and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. CHHC's sole purpose is the holding, management, funding and ultimately, disposal of the 8.5% interest in the Hibernia Development Project. Pursuant to a Memorandum of Understanding ("MOU") dated June 8, 1993 between the Government, the corporation and CHHC, the Government seeks the approval of Parliament to appropriate the funds necessary for CHHC to honour its obligations to fund the project costs of Hibernia Development Project. CHHC is dependent on appropriations from the Government to fulfill its obligations.

Appropriations received from the Government by CHHC to fund the costs of the Hibernia Development Project are credited to contributed surplus of CHHC, but are not reflected in these consolidated financial statements as the investment in CHHC is carried at nominal cost.

Pursuant to the MOU, the corporation provides administrative services to CHHC. The aggregate cost of these administrative services are reimbursable to the corporation on commencement of commercial operations from Hibernia Development Project production proceeds (if any such proceeds remain after payment of other production expenses and charges) or, if applicable, the proceeds from the sale of the working interest or the sale of the shares of CHHC in such manner as may be agreed upon by the corporation and the Minister of Finance.

Costs of the Hibernia Development Project to the production start-up are estimated at $5,819,000, before Government assistance. CHHC's 8.5% share is expected to be approximately $407,000. CHHC's expenditures incurred after March 23, 1993 do not qualify for Government contributions or Government guaranteed limited-recourse loans provided to the other owners of the project.

The Hibernia Development Project is in the development stage. Accordingly, CHHC has no operations until the production stage commences. Recovery of CHHC's capitalized costs relating to the Hibernia Project depends upon (i) the sale of the working interest for an amount in excess of the costs capitalized, or (ii) the successful completion of construction and achievement of commercial production of oil at prices sufficient to recover operating costs and capitalized costs.

(b) Theratronics

The share purchase agreement between AECL and the corporation requires the corporation to pay to AECL the fair market value of the shares of Theratronics. The agreement also specifies that the fair market value will be estimated as at the date of transfer, but will subsequently be adjusted to an amount equal to the price ultimately received by the corporation in the subsequent privatization sale of Theratronics. Furthermore, the agreement specifies that the corporation is not required to make payment of the purchase price to AECL until 60 days after the privatization sale.

Accordingly, AECL will ultimately receive the full proceeds realized upon privatization of Theratronics, less the corporation's expenses associated with the privatization.

Thus, while the corporation has title to the shares of Theratronics and executive management control over its operations prior to its privatization, the corporation did not acquire the normal risks and benefits associated with share ownership. Accordingly, the corporation has recorded its investment in Theratronics at an amount equal to the net book value of Theratronics at December 31, 1995 and 1994, with an off-setting non-interest bearing note payable to AECL, and has not recognized any income or loss on this investment.

6. Other investments

	Carrying value December 31, 1995	1994
Cameco		64,438
Varity	17,175	17,175
	17,175	81,613
Less: amount included in current assets		64,438
	17,175	17,175

Investment in Cameco

In February, 1995 CEI sold it's remaining 3,000,000 common shares for gross proceeds of $92,250. Costs of the transaction were $3,690, resulting in net proceeds of $88,560. Accordingly, CEI realized a gain of $24,122 which is reflected in the financial statements.

In September, 1994 CEI sold 2,000,000 of its common shares for gross proceeds of $51,000. Costs of the transaction were $2,040, resulting in net proceeds of $48,960. The net proceeds exceeded CEI's carrying cost. Accordingly, CEI realized a gain of $6,002 which is reflected in the net profit for the year ended December 31, 1994.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Continued*

7. Contributed surplus

The details of the changes in contributed surplus are as follows:

	Year ended December 31, 1995	1994
Balance, beginning of year	743,184	294,890
Debt of CEI assumed during the year by the Government		448,294
Balance, end of year	743,184	743,184

The Government provides authorities and guarantees for the borrowing of CEI. In December, 1994 the Government entered into an agreement with CEI to assume responsibility for payment of all of CEI's remaining short-term and long-term debt. Payment of CEI's outstanding short-term promissory notes of $191,500 was made by the Government in December, 1994, and in 1995, the Government made payments for $100,000 notes maturing on January 16, 1995 and $150,000 notes maturing on August 18, 1995, as well as related interest obligations, resulting in total payments of $454,875. As a result of this agreement, CEI was relieved of its obligation for these debts; accordingly, the outstanding principal amounts and accrued interest totalling $448,294 as at December 23, 1994 were removed from CEI's accounts and credited to contributed surplus.

8. Contingencies

(a) On December 23, 1986 the corporation sold its investment in Canadair Limited to Bombardier-Canadair Inc. The corporation and the Government have agreed to indemnify Bombardier-Canadair Inc. and Canadair Limited for specified product related claims for fifteen years from December 23, 1986 for which insurance coverage is unavailable or economically impracticable to obtain. Reasonable estimates of the effects, if any, of this indemnity cannot be made at this time. Such amounts will be recognized in future years, as appropriate, when reasonable estimates can be made as to the likely amount, if any, which will ultimately be paid pursuant to this indemnity. No amounts have been paid to date under this indemnity.

(b) Under the terms of the agreement between CEI and Cameco, CEI and Cameco agreed on a formula for sharing any future joint costs, excluding normal operating costs, related to certain specified existing wastes accumulated by CEI to October 5, 1988, the date of transfer of CEI's operations and assets to Cameco. Cameco assumed liability for the first $2,000 of joint costs. The next $98,000 in joint costs will be shared 23/98ths by Cameco, 75/98ths by CEI. CEI assumed liability for joint costs in excess of $100,000.

Alternatives for the economic disposal for existing wastes continue to be pursued by Cameco. The majority of the joint costs under the indemnity provisions of the agreement relate to existing waste material located in two sites which are closed and have not accepted further wastes since October 5, 1988. The ultimate magnitude of the joint costs is largely dependent on the findings of the Federal Siting Task Force, remediation standards that will be set by the Atomic Energy Control Board and the technologies that may be available to meet these standards at the time they are determined. The Federal Siting Task Force delivered its final report to the Government having reached an agreement in principle to construct a Low Level Radioactive Waste Disposal facility in Deep River, Ontario, Canada. No decision has been announced by the Government as to how or if it will proceed with the recommendations of the report.

CEI accrues for these costs on an annual basis, based on reliable estimates provided by Cameco. As at December 31, 1995 estimates joint costs to be $11,312 (1994—$11,114) of which CEI's share is $7,127 (1994—$6,975). Accordingly, CEI has accrued this amount in accounts payable and accrued liabilities as its liability that is subject to reasonable estimation at this time. It is likely that CEI will incur further liability for joint costs to be incurred in the future; however, the ultimate magnitude of this liability is not reasonably estimable at this time. To December 31, 1995 actual total joint costs incurred are $2,595 (1994—$2,286) and CEI's share is $456 (1994—$219).

(c) In November, 1991 the corporation sold its investment in Nordion for proceeds of $165,000.

As part of the purchase and sale agreement, the corporation indemnified the purchaser for certain representations contained in the agreement of purchase and sale. The indemnity is subject to a deductible of $1,000 and an aggregate limit of $10,000 and expired two years after the date of the sale. $10,000 of the proceeds received from the sale are held in the CRF and is shown as "Cash Restricted as to use" in these financial statements, for use in satisfying any claims made under this indemnity.

Any balance remaining of the $10,000 withheld to cover the indemnity, net of claims, will be paid to AECL on settlement of the outstanding claims.

The corporation is a named party, together with AECL and the Attorney General of Canada, in litigation commenced by the purchaser, MDS Health Group Limited et al ("MDS"). MDS is seeking a mandatory injunction requiring AECL to complete the construction and commissioning of a new isotope reactor. Alternate relief claimed in the action includes the rescinding of the original purchase, damages of $300,000, pre and post judgment interest and costs.

Due to the early stages of this claim, the corporation is not in a position to estimate the ultimate outcome and the loss, if any, that the corporation may suffer.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

(d) The corporation is the defendant in certain other litigation. While the amount of any ultimate liability cannot yet be determined, the corporation, after discussion with legal counsel, is of the opinion that there will be no material adverse effect on its financial position.

9. Cash provided by corporate operations

	1995	1994
Corporate income, net	1,767	1,666
Decrease in accounts receivable and other assets	239	430
Increase (decrease) in accrued liabilities	268	(1,885)
Net decrease in corporate capital assets	37	31
Cash provided by corporate operations	2,311	242

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1

CANADA HIBERNIA HOLDING CORPORATION

AUDITORS' REPORT

TO THE SHAREHOLDER OF CANADA HIBERNIA HOLDING CORPORATION

We have audited the balance sheet of Canada Hibernia Holding Corporation as at December 31, 1995 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
March 7, 1996

BALANCE SHEET DECEMBER 31, 1995
with comparative figures for 1994
(in thousands of dollars)

ASSETS	1995	1994
Investment in Hibernia Development Project and Hibernia Management and Development Company Ltd.	299,569	194,451
	299,569	194,451

LIABILITIES AND SHAREHOLDER'S EQUITY	1995	1994
Current liabilities		
Accrued liabilities	7,334	17,708
Total current liabilities	7,334	17,708
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—Unlimited number of common shares		
Issued and fully paid—1 common share		
Contributed surplus	293,434	177,252
Deficit	(1,199)	(509)
Total shareholder's equity	292,235	176,743
Commitment and contingencies (Note 3)		
	299,569	194,451

See accompanying notes to financial statements.

Approved by the Board:

DON SHAVER
Director

WILLIAM ROSS
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1—*Continued*

CANADA HIBERNIA HOLDING CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31, 1995
with comparative figures for 1994
(in thousands of dollars)

	1995	1994
Expenses		
Capital and large corporation tax	690	390
Net loss for the year	690	390
Deficit, beginning of year	509	119
Deficit, end of year	1,199	509

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
with comparative figures for 1994
(in thousands of dollars)

	1995	1994
Operating activities		
Loss for the year	(690)	(390)
Increase (decrease) in accrued liabilities	94	390
Cash provided by operating activities	(596)	
Investing activities		
Investment in Hibernia Development Project	(115,586)	(107,532)
	(115,586)	(107,532)
Contributed capital		
Parliamentary appropriations from Canada	116,182	107,532
	116,182	107,532
Increase (decrease) in cash		
Cash, beginning of year		
Cash, end of year		

See accompanying notes to financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1—*Concluded*

CANADA HIBERNIA HOLDING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995
(All dollar amounts are stated in thousands)

1. Canada Hibernia Holding Corporation

Canada Hibernia Holding Corporation (the "company" or "CHHC") (formerly 2875055 Canada Inc.) was incorporated under the provisions of the *Canada Business Corporations Act* on December 4, 1992. On March 22, 1993 the company was acquired by Canada Development Investment Corporation ("CDIC"). Prior to March 22, 1993 the company was inactive. The company is subject to the *Financial Administration Act*.

On March 19, 1993, the company acquired for no cost an 8.5% working interest in the Hibernia Development Project and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's sole purpose is the holding, management, funding and ultimately, disposal of the 8.5% interest in the Hibernia Development Project. Pursuant to a Memorandum of Understanding ("MOU") dated June 8, 1993 between the Government of Canada ("Government"), CDIC and CHHC, the government seeks the approval of Parliament to appropriate the funds necessary for CHHC to honour its obligations to fund the project costs of the Hibernia Development Project. CHHC is dependent on appropriations from the Government to fulfill its obligations.

The MOU also requires CDIC to provide administrative services to CHHC. The aggregate cost of these administrative services are reimbursable to CDIC on commencement of commercial operations from the Hibernia Development Project production proceeds (if any such proceeds remain after payment of other production expenses and charges), or if applicable, the proceeds from the sale of the working interest or the sale of the shares of the company in such manner as may be agreed upon by CDIC and the Minister of Finance.

HMDC is a company formed to act as agent for the participants in the Hibernia Development Project. All project expenditures, other than those relating to the transportation of oil from the project, are charged to the Joint Account which is owned by the participants in proportion to their working interest. The Joint Account is funded directly by the participants and by Federal and Provincial Government Contributions.

The Hibernia Development Project is in the development stage. Accordingly, CHHC has no operations until the production stage commences. Recovery of CHHC's capitalized costs relating to the Hibernia Development Project depends upon (i) the sale of the working interest for an amount in excess of the costs capitalized, or (ii) the successful completion of construction and achievement of commercial production of oil at prices sufficient to recover operating costs and capitalized costs.

2. Significant accounting policies

(a) Investment in the Hibernia Development Project and Hibernia Management and Development Company Ltd

Investment in HMDC is accounted for on the cost method.

Development costs charged to the Joint Account subsequent to the date of acquisition of the working interest are capitalized. Development costs include costs of engineering, construction and installation of production facilities comprised of a Gravity Based Structure and Topsides facilities. All of the company's development activities are conducted jointly with others.

(b) Contributed surplus

Appropriations received from the Government to fund the costs of the Hibernia Development Project are credited to contributed surplus.

(c) Administrative costs

The costs incurred by CDIC in connection with the administration of the company have not been accrued as a liability or charged as an expense in these financial statements because the method of reimbursement of CDIC for these costs is contingent on certain future events which are uncertain.

3. Commitment and contingencies

During 1993, the company acquired an 8.5% interest in the Hibernia Development Project. The company's obligations, in connection with the acquisition, relate only to project costs incurred after January 20, 1993. Costs of the development project to the production start-up are estimated at $5,819,000, before government assistance and are for production facilities only, exclusive of costs for drilling of wells and the Hibernia transportation system. The company's 8.5% share is expected to be approximately $407,000. The company's expenditures incurred after March 23, 1993 do not qualify for government contributions or government guaranteed limited-recourse loans provided to the other owners of the project.

The company became a participant in the Hibernia Development Project effective from the day of the first billion dollars of charges to the owners Joint Account. The determination of the first billion dollars of charges to the Joint Account and required owner contributions involves interpretations for the treatment of charges, credits and government contributions under the Hibernia Owner Agreements. Matters of interpretation have yet to be resolved between Gulf Canada Resources Limited and the remaining project owners. The outcome of these matters are presently not determinable and thus, the potential impact on the company's required contributions to the project is presently not determinable.

During 1995, the company, together with one of the other participants, entered into agreements providing for the time charter and operation of a tanker for the transportation of its oil from the project. The company's share of annual fixed obligations is approximately $5,800. Payments are expected to commence in November, 1997 for an initial term of ten years.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2

THERATRONICS INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Theratronics International Limited as at December 31, 1995 and the statements of earnings, retained earnings and changes in financial position, for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the company that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the charter and by-laws of the company and any directives given to the company.

KPMG Peat Marwick Thorne
Chartered Accountants

Ottawa, Canada
February 6, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

ASSETS	1995	1994
Current assets		
Cash		2,456
Accounts receivable	7,111	12,461
Inventories (Note 2)	9,746	8,841
Prepaid expenses	302	205
	17,159	23,963
Capital assets (Note 3)	3,813	3,764
In-reactor cobalt inventory	1,731	1,188
	22,703	28,915

LIABILITIES AND SHAREHOLDER'S EQUITY	1995	1994
Current liabilities		
Bank indebtedness	188	
Accounts payable and accrued liabilities	7,900	10,378
Advances and deferred revenue	5,994	6,889
	14,082	17,267
Long-term liabilities (Note 4)	1,596	2,352
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	9,588	9,588
Retained earnings (deficit)	(2,563)	(292)
	7,025	9,296
Commitments (Note 9)		
Contingent liabilities (Note 11)		
	22,703	28,915

See accompanying notes to financial statements.

On behalf of the Board:

ROGER COOPER
Director

WARD PITFIELD
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Sales	36,619	47,763
Cost of goods sold	27,663	35,502
	8,956	12,261
Operating expenses		
Selling and marketing	3,937	4,011
Administration	4,325	5,259
Research and development	2,965	3,292
	11,227	12,562
Net loss (Note 6)	(2,271)	(301)

See accompanying notes to financial statements.

STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Retained earnings (deficit), beginning of year	(292)	9
Net loss	(2,271)	(301)
Retained earnings (deficit), end of year	(2,563)	(292)

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Cash provided by (used in):		
Operations		
Net loss	(2,271)	(301)
Depreciation	866	711
	(1,405)	410
Change in non-cash operating working capital (Note 7)	432	510
	(973)	920
Financing		
Increase (decrease) in long-term liabilities	(756)	787
Investments		
Net acquisition of capital assets	(915)	(2,267)
Decrease in cash	(2,644)	(560)
Cash, beginning of year	2,456	3,016
Cash (bank indebtedness), end of year	(188)	2,456

See accompanying notes to financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

Theratronics International Limited ("Theratronics") is incorporated under the *Canada Business Corporations Act* and is subject to the *Financial Administration Act*. The primary business of Theratronics is the manufacture, sales and service of radiotherapy and related equipment to hospitals and medical institutions around the world.

Theratronics was incorporated initially as a wholly-owned subsidiary of Atomic Energy of Canada ("AECL"). The Minister of State for Privatization announced in 1988 the government's intention to sell the Company to the private sector. Assets and liabilities were transferred from AECL to the Company in exchange for 10,000 common shares. Since the transaction occured between companies under common control, a value of $9,588 was assigned to capital stock for accounting purposes representing the net book value of the assets and liabilities tranferred. The effective date of these transactions was July 1, 1988. As of September 30, 1988, all of the outstanding common shares were sold to Canada Development Investment Corporation ("CDIC"). No assessment of the potential impact of privatization has been made or reflected in the financial statements.

1. Significant accounting policies

(a) Capital assets

Capital assets are initially recorded at cost and depreciated on a straight-line basis over the estimated useful life of the underlying assets, as follows:

Asset	Basis
Site service	5 to 15 years
Buildings	20 years
Machinery, equipment, and leased equipment	3 to 10 years

(b) Inventories

Finished goods inventories including service inventories are valued at the lower of cost and estimated net realizable value. Raw materials, work in process, and cobalt 60 are valued at the lower of cost and replacement cost. Cost is primarily determined on a standard cost basis and includes material, labour and manufacturing overhead where applicable.

(c) In-reactor cobalt inventory

In-reactor cobalt inventory represents primarily payments for irradiation services performed by AECL to produce cobalt 60. The amounts classified as long-term will not be consumed within the next fiscal year.

(d) Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Company's contributions to the plan are limited to matching the employees' contributions on account of current service and past service buy back limited to federal government services. These payments are charged to income on a current basis and represent the total pension obligations of the Company.

(e) Employee termination benefits

Employees are entitled to specific termination benefits defined under collective agreements and conditions of employment. The charge to income and the liability are recognized in the accounts in the year the benefits become vested.

(f) Warranty provision

A provision is recorded for estimated warranty costs at the time of product sale.

(g) Revenue recognition

Revenue from the sale of radiotherapy units and related equipment is generally recognized upon shipment. Revenue from field services is recognized at the time services are rendered. Revenue from service contracts is recognized on a straight-line basis over the term of the contract.

2. Inventories

	1995	1994
Service inventory	1,777	2,353
Cobalt 60	2,138	2,482
Manufacturing		
Finished goods	1,989	427
Raw materials	1,724	1,890
Work-in-process	2,118	1,689
	9,746	8,841

3. Capital assets

	Cost	Accumulated depreciation	Net book value 1995	Net book value 1994
Land	69		69	69
Site service	1,254	602	652	633
Building	3,474	3,228	246	271
Machinery and equipment	7,843	6,178	1,665	1,421
Equipment leased to customer	731	111	620	667
Equipment under capital lease (Note 4)	641	80	561	703
	14,012	10,199	3,813	3,764

Cost and accumulated depreciation were $13,339 and $9,575 respectively at December 31, 1994.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

4. Long-term liabilities

	1995	1994
Capital lease	381	558
Employee termination benefits	905	1,293
Deferred revenue	310	501
	1,596	2,352

The company has one manufacturing equipment capital lease. The lease requires an interest payment of 9.6% and expire in 1999. Future minimum payments, by year and in aggregate, consists of the following at December 31, 1995:

1996	154
1997	154
1998	154
1999	128
Total minimum lease payment	590
Amounts representing interest	(97)
Present value of net minimum lease payments	493
Less current portion included in accounts payable and accrued liabilities	(112)
	381

5. Share capital

The authorized share capital of the company consists of an unlimited number of no par value common shares with issued and outstanding shares totalling 10,000.

6. Income taxes

As a wholly-owned subsidiary of a Federal Crown corporation, the Company is not subject to provincial income taxes.

The Company's expected income tax rate is the net Federal statutory rate (including surtax) of 28.93% less the applicable manufacturing and processing deduction of 7.0%. Since the company has a loss for the current year, the effective rate is zero. The 1994 effective tax rate was also zero due to the loss realization that year.

The Company has non capital loss carryforwards for income tax losses of $3,840 ($2,662 in 1994) available to reduce taxes payable up to 1999 and net capital loss carryforward of $2,448 ($nil in 1994) available to offset taxable capital gains indefinitely. In addition, the Company has differences between the tax and accounting values of its assets for which future deductions are available in the amount of $10,028 ($11,207 in 1994). Of this amount, $3,744 ($4,421 in 1994) relate to the assets of the Company at the date it became subject to income taxes.

The Company has unused investment tax credits of $700 ($480 in 1994) available to reduce taxes payable up to 2001.

The Company is currently involved in a dispute with Revenue Canada in respect of the deductibility of certain amounts. Due to delays on the part of Revenue Canada no progress has been made towards the resolution of this issue during the year. If unsuccessful in the defence of this dispute the future deductions would be decreased by approximately $1,696.

7. Operating working capital

The changes in non-cash operating working capital are comprised of:

	1995	1994
Accounts receivable	5,350	(2,205)
Inventories	(1,448)	1,294
Prepaid expenses	(97)	21
Accounts payable and accrued liabilities	(2,478)	881
Advances and deferred revenue	(895)	519
	432	510

8. Related party transactions

(a) AECL provides irradiation services to the Company. Total purchases of irradiation services in the year were $1,875 ($1,987 in 1994). At December 31, 1995, $279 of these purchases were included in accounts payable ($145 in 1994).

(b) During 1995, the company disposed of its interest in MHTI for its book value of $1.00.

9. Commitments

(a) Minimum lease payments in accordance with lease commitments are as follows:

1996	204
1997	122
1998	31
1999	14
	371

(b) The Company has a commitment, estimated at approximately $19,000 to purchase cobalt 60 from AECL produced at its Chalk River nuclear laboratory to the year 2008.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Concluded*

APPENDIX 2—*Concluded*

THERATRONICS INTERNATIONAL LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Concluded*

10. Sales agents' remuneration

During the year ended December 31, 1995 the Company paid sales commissions totalling $1,833 to the following agents: Medtel Pty. Limited, Australia; Equipo Para Hospitales SA, Mexico; Kamol Sukosol Electric Co. Ltd., Thailand; General Machinery Co. Ltda., Chile; Meditel Medikal Elktronik Ltd., Turkey; M.L. Sethi, India; Birla Medical Technologies, India; Meditron S.A. De C.V., El Salvador; Dynamotors Ltd., Mauritius; Nairobi X-Ray Supplies Ltd., Kenya; Radcons PTY Limited, Australia; TEC RAD, Brazil; Hamco Comerical S.R.L., Peru; Semetron, Estonia; Papaetis Medical Co. Ltd, Cyprus; Lacthronics S.A., Colombia; NCA Electromedicina, Spain; Alkan Establishment, Egypt; General Electronica Genelectric C.I.A. Ltda., Ecuador; Teepee Technical Services Ltd, Malta; Arab Trading & Engineering Office, Syria; General Medica de Colombia Ltda., Colombia; Kirloskar Theratronics (P) Limited, India; Izinta Trading Co. Ltd, Hungary; Watson & Sons, Nigeria; Agmeco S.R.O., Czech Republic; Phillips Electronics and Lighting Inc., Philippines; Meguro Co. Ltd, Poland; CIS (UK) Limited, England; Globex Marketing Company Ltd, Bangladesh; Tareq Company, Kuwait; P. Hepburn (Theratec), England; Mundinter, Portugal.

11. Contingent liabilities

(a) Medtap grant

The company has received a grant of $350 from the National Research Council. This funding is required to be repaid if certain conditions are met relating to the commercialization of the resulting technology. Repayment of this grant will occur in the form of a royalty based on the gross sales of the new product, which is expected to commence in 1996.

(b) Refunds

The Company entered into transactions during the year, the terms of which provide for refunds should the specified release dates of new products not be met. These potential refunds totalling $3,719 will be recorded as a charge to income should the specified release dates not be met by the Company and the customers exercise the right of refund. The Company believes the release dates of new products will be met and that no refunds will be required.

CANADA LANDS COMPANY LIMITED

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Canada Lands Company Limited have been prepared by management of the Corporation in accordance with generally accepted accounting principles.

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the Corporation's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information and to ensure that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Where necessary, management uses judgement to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors is composed of four directors, none of whom are employees of the Corporation. The Board of Directors has the responsibility to review and approve the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. An Audit Committee appointed by the Board of Directors of the Corporation has reviewed these statements with management and the auditor and has reported to the Board of Directors. The Board of Directors has approved the financial statements.

The auditor is responsible for auditing the financial statements and has issued a report thereon.

All other financial and operating data included in the Annual Report are consistent, where appropriate, with information contained in the financial statements.

E. Buchholz
President and Chief Executive Officer

B. E. Richardson
Vice President, Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the consolidated balance sheet of Canada Lands Company Limited as at March 31, 1996 and the consolidated statements of income and retained earnings and changes in financial position for the seven months then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the seven months then ended in accordance with generally accepted accounting principles.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1996

CANADA LANDS COMPANY LIMITED—*Continued*

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1996 (Note 1)
(in thousands of dollars)

ASSETS	1996	LIABILITIES AND SHAREHOLDER'S EQUITY	1996
Properties		Liabilities	
Income producing properties (Note 4)	186,668	Mortgages payable (Note 7)	60,191
Properties under development (Note 4)	27,448	Bank indebtedness	3,335
Land held for development or sale	123,009	Accounts payable and accrued liabilities (Note 11)	77,368
	337,125	Prepaid rents and deposits	1,799
		Income tax payable	2,074
Other assets			144,767
Cash and short-term deposits (Note 5)	11,798		
Amounts receivable (Note 6)	41,247	SHAREHOLDER'S EQUITY	
Prepaid expenses and other	4,729		
		Capital stock (Note 8)	
	57,774	Contributed surplus (Note 3)	249,617
		Retained earnings	515
			250,132
		Contingent liabilities and commitments (Notes 4 and 11)	
	394,899		394,899

See accompanying notes to consolidated financial statements.

On behalf of the Board:

JON K. GRANT
Chairman of the Board

CHARLES PELLETIER
Chartered Accountant

CANADA LANDS COMPANY LIMITED—*Continued*

CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS
(for the seven months ended March 31, 1996 (Note 1)
(in thousands of dollars)

	1996
Revenue	
Property sales	26,248
Rental	24,180
Property sales management fee (Note 13)	10,070
Attractions, food and beverage	12,894
Interest and other	5,358
	78,750
Expenses	
Cost of property sales	23,297
Rental operating costs	16,897
Attractions, food and beverage costs	13,335
Interest and other financing costs (Notes 7, 11 and 13)	10,757
General and administrative	9,442
Depreciation	3,671
	77,399
Net income before tax	1,351
Income tax (Note 9)	836
Net income	515
Retained earnings, beginning of period	
Retained earning, end of period	515

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
(for the seven months ended March 31, 1996 (Note 1)
(in thousands of dollars)

	1996
Operating activities	
Net income	515
Non-cash items:	
Depreciation	3,671
Recovery of real estate costs on sale	23,297
Deferred income tax	(1,508)
	25,975
Net change in operating assets and liabilities	9,292
Cash provided by operating activities	35,267
Financing activities	
Decrease in mortgages payable	(12,749)
Cash applied to financing activities	(12,749)
Investment activities	
Acquisition of net assets including cash of $8,682 (Note 3)	(249,617)
Contributed surplus arisng from acquisition of net assets (Note 3)	249,617
Expenditures on properties	(22,737)
Cash applied to investment activities	(22,737)
Decrease in cash during the period	(219)
Cash, beginning of period	
Cash acquired (Note 3)	8,682
Cash, end of period	8,463

Cash includes cash and short-term deposits and is net of bank indebtedness.
See accompanying notes to consolidated financial statements.

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority and activities of the Corporation

Canada Lands Company Limited, a non-agent Crown corporation, originally named Public Works Lands Company Limited, was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It was added to Schedule C to the *Financial Administration Act* in 1979 and listed as a parent Crown corporation in 1984 in Part I of Schedule III to the *Financial Administration Act*.

The Corporation has full power to acquire, manage, improve, sell or otherwise deal in or dispose of real or personal property or any interest therein. Until 1995, the Corporation had been used to hold, in trust for Federal government departments, certain leasehold interests in two properties in London, England, and two properties on First Nations' reserves in Canada. Funding for these leases is borne by the departments.

As a consequence of the *CN Commercialization Act* which came into effect in July 1995, the Corporation acquired effective August 31, 1995 all the shares of Canada Lands Company CLC Limited ("CLC") and CN Tower Limited ("CNTL") (Note 3).

Prior to August 31, 1995, the Corporation was inactive and had only nominal assets and share capital. Accordingly, comparative figures as at and for the year ended March 31, 1995 have not been presented in the accompanying consolidated financial statements. In addition, the accompanying statements of income and retained earnings, and changes in financial position for the period ended March 31, 1996 reflect operations and changes in financial position only from the date of acquisition of CLC and CNTL, August 31, 1995.

CLC's objective is principally to carry out a commercially-oriented and orderly disposal program of surplus Federal Government real properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent for the Federal Government. It is anticipated that this disposal program will be completed over a number of years.

The primary business of CNTL is the operation of the CN Tower in Toronto, Ontario. Its income is primarily derived from the operation of attractions, food and beverage facilities.

2. Summary of significant accounting policies

(a) General

The consolidated financial statements are prepared in accordance with generally accepted accounting principles. With respect to real estate activities, the Corporation's accounting policies and standards of financial disclosure are also substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies, of which the Corporation is an associate member.

(b) Consolidation

(i) The Corporation consolidates the accounts of its two principal wholly-owned subsidiaries, CLC and CNTL.

(ii) The consolidated financial statements also include the Corporation's proportionate share of all incorporated and unincorporated joint ventures in which the Corporation has an interest, to the extent of the Corporation's interest in their respective assets, liabilities, revenues, expenses and cash flows.

(iii) The accounts of the Corporation's other non-principal subsidiaries are excluded from consolidation because the Corporation does not expect to obtain future economic benefits from the resources of these subsidiaries and is not exposed to the related risks. These non-consolidated subsidiaries are Canada Lands Company (Vieux-Port de Québec) Inc., Canada Museums Construction Corporation Inc. and Old Port of Montréal Corporation Inc.

The Corporation has one additional subsidiary, 3148131 Canada Limited, which is presently inactive.

(c) Income recognition

The Corporation recognizes income as follows:

(i) Property sales

When the Corporation has fulfilled all material conditions and received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.

(ii) Income producing properties under development

When break-even cash flow after debt service is achieved but not later than one year after substantial completion.

(d) Properties

(i) Income producing properties are carried at cost less accumulated depreciation and, if intended for disposition, at the lower of cost less accumulated depreciation and net realizable value.

(ii) Properties under development and land held for development or sale are carried at the lower of cost and net realizable value.

(iii) Prior to sale, the Corporation capitalizes all direct deferred selling costs related to the properties.

(iv) When significant interest costs are incurred related to development activities, the Corporation capitalizes such costs to properties.

(e) Depreciation

Depreciation is calculated on the straight-line method using rates based on the estimated remaining useful lives of the assets, which range from 5 to 40 years.

(f) Asset valuation

In determining estimates of net realizable values and fair market values (Note 3) for its properties, the Corporation relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

The Corporation's properties are subject to various government laws and regulations relating to the protection of the environment. The Corporation has made, and expects to make in the future, expenditures to comply with such laws and regulations. Where estimated costs are reasonably determinable, the Corporation considers such costs in arriving at estimates of fair market value of its properties, based on management's estimate of such costs. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property, and as new information becomes available.

Due to the assumptions which must be made in arriving at estimates of fair market value, by nature, such estimates are subjective and do not necessarily result in a precise determination of asset value.

(g) Pre-opening costs

Pre-opening costs for new attractions, food and beverage operations are expensed as incurred.

3. Acquisition of assets from Canadian National Railway Company

Effective August 31, 1995, CLC and CNTL acquired from their then parent company, Canadian National Railway Company ("CN"), a portfolio of real estate properties and the CN Tower and related entertainment and hospitality facilities, respectively.

Through a series of subsequent transactions, also effective August 31, 1995, the Minister of Transport contributed to the Corporation all the shares of CLC and CNTL.

A summary of the net assets acquired is as follows:

	CLC	CNTL	Total
	(in thousands of dollars)		
Assets acquired			
Properties	255,590	85,798	341,388
Other assets, including cash of $8,682	54,275	4,099	58,374
	309,865	89,897	399,762
Debt and other obligations assumed	146,046	4,099	150,145
Net assets acquired	163,819	85,798	249,617

The Corporation has recorded the $249,617,000 as contributed surplus.

Effective August 31, 1995, the Corporation established carrying values for the individual real estate assets acquired and the related debt and other obligations assumed based on estimates of fair market value and giving consideration to the portfolio of properties as a whole. The Corporation's interest in CNTL including its principal asset, the CN Tower, is recorded at a carrying value equivalent to historic net book value, which at the date of acquisition, approximated estimated fair market value.

4. Properties

(a) Income producing properties

The Corporation's income producing properties consist of the CN Tower, shopping centres, office, industrial and mixed-use buildings.

	(in thousands of dollars)
Land	46,800
Buildings	143,509
	190,309
Accumulated depreciation	3,641
	186,668

(b) Properties under development

Properties under development consist of industrial office projects under construction and residential and industrial land currently being serviced.

	(in thousands of dollars)
Income producing properties	9,865
Land	17,583
	27,448

Capital commitments at March 31, 1996 total $5,369,000.

5. Cash and short-term deposits

Included in cash and short-term deposits are amounts totalling $4,180,000 held in joint ventures, which can only be applied to specific liabilities or which will only become available to the Corporation in future periods.

6. Amounts receivable

Amounts receivable are comprised as follows:

	(in thousands of dollars)
Assignment of rents receivable	35,000
Other long-term receivables	2,333
Trade receivables	3,914
	41,247

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

(a) The Corporation has a receivable under an assignment agreement in respect of rents receivable, which entitles it to receive rental income during the period ending 2013. At March 31, 1996, the assignment of rents receivable in the amount of $35 million reflects the estimated payments to be received during the term of the agreement, less imputed interest, as follows:

Estimated payments under assignment of rents:

	(in thousands of dollars)
Years ending March 31	
1997	4,388
1998	4,485
1999	4,570
2000	4,615
2001	4,758
Subsequent years	75,647
	98,463
Less amounts representing imputed interest	63,463
	35,000

(b) Other long-term receivables bear interest primarily at bank prime rate plus 2%, and are repayable as follows:

	(in thousands of dollars)
Years ending March 31	
1997	528
1998	528
1999	792
2000	485
	2,333

7. Mortgages payable

Mortgages payable are secured by certain of the Corporation's properties, and have a maturity schedule as follows:

	Fixed rate	Variable rate	Total
	(in thousands of dollars)		
Years ending March 31			
1997	134	23,000	23,134
1998	145		145
1999	157		157
2000	170		170
2001	184		184
Subsequent years	36,401		36,401
	37,191	23,000	60,191

Interest is payable at a weighted annual average rate of 10.37% on the fixed rate mortgages and at bank prime rate plus 0.25% on the variable rate mortgage.

Interest incurred on mortgages payable amounted to $3,502,000 for the period.

8. Capital stock

The Corporation is authorized to issue three shares which shall not be transferred to any person other than a person approved by the Minister of Public Works and Government Services. The three authorized shares have been issued in consideration of services rendered and are held in trust for Her Majesty in right of Canada by the Minister of Public Works and Government Services. Nominal value has been ascribed to the three issued shares of the Corporation.

9. Income tax

The Corporation is taxable under Federal and Provincial laws. The Corporation's income tax expense for the seven months ended March 31, 1996 includes large corporations tax in the amount of $519,000.

10. Pension plans

The employees of CLC are members of a defined contribution pension plan whereby the Corporation and the employees make equal contributions to the particular investment fund selected by each employee.

The employees of CNTL are members of a defined benefit pension plan. The plan provides pensions based on the best average annual earnings during 60 consecutive months of pensionable service and length of service.

The latest actuarial valuation of the plan was at January 1, 1994, when the actuarial assets and liabilities of the plan were $1,184,000 and $987,000 respectively. The estimated actuarial assets and liabilities at December 31, 1995 were $1,244,000 and $1,198,000 respectively, resulting in an estimated surplus of $46,000.

11. Contingent liabilities and commitments

(a) The Corporation has a commitment under an income guarantee agreement whereby the Corporation is obligated to fund up to a maximum of approximately $13 million annually, expiring in 2083. The Corporation's estimate of this obligation is included in accounts payable and accrued liabilities, and the related amount expensed during the seven months ended March 31, 1996 is included in interest and other financing costs.

(b) The Corporation has entered into commitments under operating leases for land and office premises for terms up to 96 years, with minimum lease payments as follows:

	(in thousands of dollars)
Years ending March 31	
1997	1,267
1998	851
1999	873
2000	889
2001	727
Subsequent years	17,277
	21,884

(c) Letters of credit totalling $7,183,000 were outstanding at March 31, 1996.

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

12. Joint ventures

The following amounts included in the consolidated financial statements represent the Corporation's proportionate share in joint ventures:

	(in thousands of dollars)
Assets	76,583
Liabilities	63,958
Revenues	14,634
Expenses	12,959
Net income	1,675
Cash provided by operating activities	15,845
Cash applied to financing activities	(12,749)
Cash applied to investment activities	(3,096)

The Corporation is contingently liable for obligations of its associates in such joint ventures. In each case, all of the assets of the joint venture are available for the purpose of satisfying such obligations.

13. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

In addition to those related party transactions disclosed elsewhere in these financial statements, the significant transactions during the period were:

(a) The Corporation carried out a special divestment program of certain real estate assets owned by CN, a Crown corporation at that time, and was paid a management fee by way of participation in the net sales proceeds.

(b) Included in accounts payable and accrued liabilities is an amount of $912,000 due to the Minister of Public Works and Government Services. This liability is due in 2002, bears interest at the rate of 7.24% per annum and interest incurred during the period totalled $39,000.

(c) The Corporation receives audit services without charge from the Office of the Auditor General of Canada.

14. Segmented information

The Corporation's major areas of business activities are the management, development and sale of real estate, and the entertainment and hospitality operations of the CN Tower. Additional information on these activities is as follows:

	Real estate activities	Entertainment and hospitality	Total
	(in thousands of dollars)		
Seven months ended March 31, 1996			
Revenues	63,425	15,325	78,750
Depreciation	1,625	2,046	3,671
Net income (loss) before tax	3,580	(2,229)	1,351
Capital expenditures	17,044	5,693	22,737
As at March 31, 1996			
Identifiable assets	302,886	92,013	394,899

15. Information on non-consolidated subsidiary companies

Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations effective March 31, 1988. However, a decision has yet to be taken with respect to the formal dissolution of the corporation pending the resolution of certain legal matters. As at March 31, 1995, this corporation, in thousands of dollars, had assets of $494, liabilities of $291 and equity of Canada of $203.

Canada Museums Construction Corporation Inc. has transferred its responsibilities for residual matters pertaining to the construction of two museums to the Ministry of Public Works and Government Services. It is anticipated that this corporation will be dissolved within a year. As at March 31, 1995, this corporation, in thousands of dollars, had assets of $2,140, liabilities of $1,268 and equity of Canada of $872.

Old Port of Montréal Inc. promotes the development of the lands of the Old Port of Montréal and develops, administers, manages and maintains Crown property in that location. This corporation has been directed to report as a parent Crown corporation. As at March 31, 1995, this corporation, in thousands of dollars, had assets of $2,049, liabilities of $2,889 and equity (deficit) of Canada $(840) with revenue of $8,865 and excess of operating expenditures over revenue of $2,274 for the year then ended.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 1

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Lands Company (Vieux-Port de Québec) inc. as at March 31, 1996. This financial statement is the responsibility of the corporation's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this balance sheet presents fairly, in all material respects, the financial position of the corporation as at March 31, 1996 in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the balance sheet have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 28, 1996

BALANCE SHEET AS AT MARCH 31, 1996

ASSETS	1996	1995	LIABILITIES	1996	1995
	$	$		$	$
Cash		3	Account payable	1,750	1,750
Short-term investment, at cost	9,936	9,442	Due to Minister of Public Works and Government Services (Note 3)	9,106	8,615
Accounts receivable (Note 2)	484,865	484,865	Due to Receiver General for Canada	280,535	280,535
				291,391	290,900
			SHAREHOLDER'S EQUITY		
			Capital stock (Note 4)		
			Contributed surplus	178,250	178,250
			Retained earnings	25,160	25,160
	494,801	494,310		494,801	494,310

Approved by the Board:

ROSA MURNAGHAN
Director

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 1—*Concluded*

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Concluded*

NOTES TO THE BALANCE SHEET
AS AT MARCH 31, 1996

1. Authority and activities

Canada Lands Company (Vieux-Port de Québec) inc. was incorporated on April 9, 1981 under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

Effective August 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services, the Corporation has been responsible for the implementation of a general development plan for the lands of the Vieux-Port de Québec under its jurisdiction and for administering, managing, promoting and operating such lands and their developments. The Corporation fulfilled this responsibility in the name and for the account of the Minister of Public Works and Government Services who continues to hold title to the capital assets for the benefit of Her Majesty.

From February 9, 1984 to February 27, 1986, the Corporation was responsible for its own account for the management, charge and direction of a parcel of land together with the improvements thereon which had been transferred to it, subject to certain limiting conditions, by order of the Governor General in Council on February 9, 1984. This property was retroceded on February 27, 1986.

On May 26, 1988, by order of the Governor General in Council, the Minister of Public Works and Government Services was authorized to terminate the said agreement. Since April 1st, 1988, the management of the Corporation's affairs has been assumed by the Department of Public Works and Government Services.

In March 1996, in the framework of the approval process of the corporate plan of the parent corporation, the ministers of the Treasury Board requested that the Canada Lands Company Limited and Public Works and Government Services Canada (PWGSC) undertake the necessary steps to dissolve the Canada Lands Company (Vieux-Port de Québec) inc. and that the Canada Lands Company (Vieux-Port de Québec) inc. or PWGSC pay any outstanding external liabilities and write off all remaining assets and liabilities associated with the Corporation. The Governor General in Council approved the corporate plan of the parent corporation, in accordance with the decision of the Treasury Board.

2. Accounts receivable

The accounts receivable include the following amounts:

	$
Public services organization	466,430
Other	18,435
	484,865

The amount receivable from the public services organization is for specific work carried out by the Corporation during the year 1982-83. The related cost is recoverable upon the signing of a protocol by the Corporation, the Canada Ports Corporation and the organization. The protocol, not yet signed, provides for the transfer of certain privileges from the Corporation and the Canada Ports Corporation. The Corporation has not yet decided to transfer the privileges requested by the organization. It is possible that the Corporation may not recover the related cost.

3. Due to Minister of Public Works and Government Services

	1996	1995
	$	$
Balance at beginning of the year	8,615	8,200
Interest from short-term investment	491	415
Balance at end of the year	9,106	8,615

4. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada and which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

5. Contingencies

The Corporation and the corporation Québec 1534-1984 signed a protocol of general understanding determining the rights and obligations of each party for the staging in 1984 of a festive event and for the use of the site and of the equipment under the jurisdiction of the Corporation. Under the terms of the agreement, the Corporation had not granted the right to use the totality of the site, reserving for itself some premises that it might rent for commercial purposes. Leases were signed but, because of poor attendance, several were modified, cancelled or abandoned. The Corporation has received claims arising from these leases and from other activities. These claims totalled approximately $1.1 million as at March 31, 1996 ($1.1 million as at March 31, 1995). Costs associated with settlements, if any, would be assumed by the Department of Public Works and Government Services.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Canada Museums Construction Corporation Inc. are the responsibility of management and have been approved by members of the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement.

Management has developed and maintains books of account, records, financial and management controls and information systems. The internal controls are designed to provide reasonable assurance that relevant and reliable financial information is produced, that assets are safeguarded and controlled and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

The Board of Directors is composed of three directors, all of whom are not employees of the Corporation. The Board of Directors has the responsibility to review and approve the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. The Board is also responsible for meeting with management to discuss the financial reporting process as well as auditing, accounting and reporting issues.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements and for issuing his report thereon.

R. A. Quail
Chairman and Chief Executive Officer

R. Plourde
Treasurer and Comptroller

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Museums Construction Corporation Inc. as at March 31, 1996 and the statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 28, 1996

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995	LIABILITIES	1996	1995
Cash and investments	42	2,134	Accounts payable and accrued liabilities	897	1,210
Accounts receivable		6	Contractor's holdbacks payable	22	58
Construction in progress (Schedule)					
				919	1,268
			EQUITY OF CANADA (DEFICIENCY)		
			Capital stock (Note 3)		
			Equity (deficiency) (Note 4)	(877)	872
	42	2,140		42	2,140

Contingencies and claims (Note 5).

The accompanying notes form an integral part of the financial statements.

Approved by the Board:

R. A. QUAIL
Chairman and Chief Executive Officer

BRUCE LORIMER
Director

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Construction (costs) recoveries which occurred during the year (Schedule)	(1,749)	796
Changes in non-cash assets and liabilities		
Accounts receivable	6	127
Accounts payable and accrued liabilities	(313)	263
Contractor's holdbacks payable	(36)	(538)
Cash used in operating activities	(2,092)	648
Increase (decrease) in cash and investments	(2,092)	648
Cash and investments at beginning of year	2,134	1,486
Cash and investments at end of year	42	2,134

The accompanying notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority and activities

The Corporation was incorporated on June 21, 1982 under the *Canada Business Corporations Act* as an agent of Her Majesty pursuant to the *Government Companies Operations Act*, and was named as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act.* Until November 26, 1991, two-thirds of the capital stock was held by the Canada Lands Company Limited, also a parent Crown corporation, and one-third by the Minister of Public Works and Government Services Canada (formerly Department of Public Works) who had control of the Corporation.

On November 26, 1991, Royal assent was given to Bill C-8 making Canada Museums Construction Corporation Inc. (CMCC) a wholly-owned subsidiary of Canada Lands Company Limited. Accordingly, the share previously held by the Minister of Public Works and Government Services Canada (PWGSC) was transferred to Canada Lands Company Limited and the Corporation was deleted from Part I of Schedule III to the *Financial Administration Act.*

The business of the Corporation has been limited to the construction, in the National Capital Region, of buildings for the National Gallery of Canada (NGC) and the Canadian Museum of Civilization (CMC), including the acquisition, control, administration and disposal of land required for the construction.

(a) Status of the Corporation

CMCC is working with PWGSC officials to obtain adequate sources of funding for 1996-97. The Corporation will also take the necessary steps to convey its remaining obligations to PWGSC. Once such a transfer is completed, the corporation, in concert with Justice Canada, would examine the most expeditious means to dissolve the Canada Museums Construction Corporation Inc.

(b) Funding

Since the incorporation of CMCC, Treasury Board has allocated funds for construction of the museums totalling \$338.21 million as follows:

	NGC	CMC	Total
	(in millions of dollars)		
Construction	121.85	161.16	283.01
Architects and consultants	14.30	26.20	40.50
	136.15	187.36	323.51
Administration expenses	6.95	7.75	14.70
	143.10	195.11	338.21

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

(c) Transfer of National Gallery of Canada Building

During 1988-89, custody and control of the National Gallery of Canada building was transferred from the Corporation to the PWGSC. Accordingly, the construction in progress and equity accounts have been reduced by the net construction cost to March 31, 1996 in the amount of $140.9 million. In accordance with the terms of the memorandum of understanding between the Corporation and the PWGSC, the Corporation continued to be responsible to resolve outstanding construction and consultant claims until June 30, 1992, when all outstanding matters were transferred to PWGSC.

(d) Transfer of Canadian Museum of Civilization Building

During 1990-91, custody and control of the Canadian Museum of Civilization building were transferred from the Corporation to PWGSC. Accordingly, the construction in progress and equity accounts have been reduced by the net construction cost to March 31, 1996 in the amount of $198.1 million. In accordance with the terms of the memorandum of understanding between the Corporation and PWGSC, the Corporation continued to be responsible to resolve outstanding construction and consultant claims until June 30, 1992, when all outstanding matters were transferred to PWGSC.

2. Significant accounting policies

(a) Basis of accounting

These financial statements account for the costs incurred on an accrual basis of accounting by the Corporation in the construction of the museums. They do not account for costs incurred by National Capital Commission (NCC) for sites or by the former National Museums of Canada (NMC) for accommodation planning and fit-ups.

(b) Capitalization

All expenditures, including those for site evaluation, design, construction and administration, are capitalized in the schedule of Construction in Progress. Interest, management fees and other income are credited to construction in progress. Costs are allocated directly to each museum.

3. Capital stock

The Corporation is authorized to issue three shares with a nominal value of $1 which shall not be transferred without the approval of the Governor in Council.

4. Equity (deficiency)

	1996	1995
	(in thousands of dollars)	
Opening balance	872	76
Transfer of net construction (costs) recoveries	(1,749)	796
Ending balance	(877)	872

5. Contingencies and claims

One claim made against the Corporation in the amount of approximately $400,000 remains unsettled as of the year-end. The claim is proceeding through litigation and an adequate amount is included in these statements as a provision to settle this claim.

6. Related party transactions

(a) The Corporation was billed and paid the sum of $49,000 in 1995-96 for services rendered by Public Works and Government Services Canada employees in connection with the resolution of claims by contractors against the Corporation. PWGSC also incurred additional expenses of approximately $75,000 for services rendered to the Corporation by its personnel in the resolution of the claims of the Corporation in 1995-96. In addition, an amount of $232,532 was paid to Revenue Canada by PWGSC as part of a claim against the Corporation by a contractor for the construction of the Canadian Museum of Civilization.

(b) The Corporation receives audit, legal and certain administrative services without charge from the Office of the Auditor General of Canada and the Department of Justice of Canada respectively.

(c) In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

7. Administration expenses

The Corporation incurred the following administration expenses which have been allocated to the Museum of Civilization Project only:

	1996	1995
	(in thousands of dollars)	
Professional and special services	152	124
Government services	49	197
Other	3	2
	204	323

CANADA LANDS COMPANY LIMITED—*Concluded*

APPENDIX 2—*Concluded*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Concluded*

SCHEDULE OF CONSTRUCTION IN PROGRESS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	National Gallery of Canada			Canadian Museum of Civilization			Total		
	Balance to March 31, 1995	1996	Balance to March 31, 1996	Balance to March 31, 1995	1996	Balance to March 31, 1996	Balance to March 31, 1995	1996	Balance to March 31, 1996
Construction costs	114,036	146	114,182	145,645	1,498	147,143	259,681	1,644	261,325
Landscaping	4,552		4,552	7,224		7,224	11,776		11,776
Fit-up	7,046		7,046	29,609		29,609	36,655		36,655
Architects and consultants	16,291		16,291	32,938		32,938	49,229		49,229
Construction managers	6,252		6,252	13,157		13,157	19,409		19,409
	148,177	146	148,323	228,573	1,498	230,071	376,750	1,644	378,394
Administration (Note 7)	7,360		7,360	13,015	204	13,219	20,375	204	20,579
	155,537	146	155,683	241,588	1,702	243,290	397,125	1,848	398,973
Less:									
Funding by NMC	8,776		8,776	35,677		35,677	44,453		44,453
Funding by NCC	4,000		4,000	3,700		3,700	7,700		7,700
Funding by PWGSC	597		597	2,287		2,287	2,884		2,884
Interest income	1,419		1,419	3,385	99	3,484	4,804	99	4,903
	14,792		14,792	45,049	99	45,148	59,841	99	59,940
	140,745	146	140,891	196,539	1,603	198,142	337,284	1,749	339,033
Transfer of NGC and CMC to PWGSC (Notes 1(c), 1(d) and 4)	(140,745)	(146)	(140,891)	(196,539)	(1,603)	(198,142)	(337,284)	(1,749)	(339,033)

CANADA MORTGAGE AND HOUSING CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1995

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CMHC management is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements for the year ended December 31, 1995 were prepared in accordance with generally accepted accounting principles in Canada. The financial information contained elsewhere in this report is consistent with that in the financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, internal audit staff, and independent external auditors to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditors and has submitted its report to the Board of Directors which has approved the financial statements.

The financial statements have been examined by the joint external auditors, J. Colin Potts, FCA, of the firm Deloitte & Touche, and Wm. F. Radburn, FCA, for the Auditor General of Canada. Their report offers an independent opinion on the financial statements to the Minister Responsible for Canada Mortgage and Housing Corporation.

Marc Rochon
President and Chief Executive Officer

Karen A. Kinsley
Vice-President, Finance and Treasurer

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE FOR CANADA MORTGAGE AND HOUSING CORPORATION

We have audited the balance sheets of the Canada Mortgage and Housing Corporation for the Corporate Account and Insurance and Guarantee Funds as at December 31, 1995, and the related statements of operations and reserve fund, operations and surplus, and changes in financial position, and the Minister's Account statement of expenses and recoveries for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the generally accepted accounting principles in Canada. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Mortgage and Housing Corporation Act*, the *National Housing Act* and the by-laws of the Corporation.

J. Colin Potts, FCA
of the firm Deloitte & Touche

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 25, 1996

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

BALANCE SHEET AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Loans and investments (Notes 3 and 4)	12,400,774	10,476,748
Cash and short-term investments (Note 5)	722,083	565,755
Deferred recoveries from the Minister's Account	254,711	325,534
Due from the Minister's Account (Note 7)	301,605	252,271
Assets under capital lease (Note 8)	28,892	30,822
Business premises and equipment (Note 9)	32,236	32,024
Accounts receivable	71,923	40,624
Deferred income taxes	14,810	11,863
Other assets (Note 5)	18,518	33,294
Due from Insurance and Guarantee Funds	3,882	
	13,849,434	11,768,935

LIABILITIES	1995	1994
Borrowings from the Government of Canada (Notes 3 and 10)	7,504,816	7,957,663
Capital market borrowings (Note 10)	5,965,875	3,409,540
Obligation under capital lease (Note 11)	33,940	35,144
Accounts payable and accrued liabilities	301,801	304,262
Due to the Receiver General for Canada	7,854	14,526
Due to Insurance and Guarantee Funds		4,070
	13,814,286	11,725,205
CAPITAL AND RESERVE FUND		
Capital		
Authorized and fully paid by the Government of Canada	25,000	25,000
Reserve fund (Note 12)	10,148	18,730
	13,849,434	11,768,935

The accompanying notes are an integral part of the financial statements.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

STATEMENT OF OPERATIONS AND RESERVE FUND
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Interest earned (Notes 3 and 13)	1,022,731	857,533
Interest expense (Note 10)	1,002,401	842,477
Margin on financing operations	20,330	15,056
Real estate sales	11,775	19,357
Cost of real estate sold	(4,286)	(5,623)
Holding costs (Note 4)	(5,885)	
Gain on real estate	1,604	13,734
Other income	1,099	611
Income before operating expenses	23,033	29,401
Operating expenses (Note 14)	35,538	35,661
Loss before taxes	(12,505)	(6,260)
Taxes (Note 15)	(3,923)	10
Net loss	(8,582)	(6,270)
Reserve fund, beginning of year	18,730	25,000
Reserve fund, end of year	10,148	18,730

The accompanying notes are an integral part of the financial statements.

CORPORATE ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Net loss	(8,582)	(6,270)
Add (deduct)		
Amortization	4,769	4,747
Deferred income taxes	(2,947)	(882)
	(6,760)	(2,405)
Changes in		
Due to/from		
The Receiver General for Canada	(6,672)	3,684
Insurance and Guarantee Funds	(7,952)	(6,432)
The Minister's Account	(49,334)	11,541
Accounts receivable	(31,299)	(34,936)
Accounts payable and accrued liabilities	(2,461)	2,509
Accrued interest payable	35,346	35,652
Accrued interest receivable	(8,514)	14,044
Other assets	14,776	(24,876)
	(62,870)	(1,219)
Investment activities		
Loans and investments		
Repayments	298,742	353,450
Additions	(2,214,254)	(1,806,656)
Change in deferred recoveries from the Minister's Account	70,823	(87,826)
Additions to business premises and equipment	(3,051)	(5,842)
	(1,847,740)	(1,546,874)
Financing activities		
Repayments of borrowings from the Government of Canada	(447,372)	(334,247)
Capital market borrowings	2,515,514	2,061,546
Repayment of obligation under capital lease	(1,204)	(1,075)
	2,066,938	1,726,224
Increase in cash position	156,328	178,131
Cash and short-term investments		
Beginning of year	565,755	387,624
End of year	722,083	565,755

The accompanying notes are an integral part of the financial statements.

MINISTER'S ACCOUNT

STATEMENT OF EXPENSES AND RECOVERIES
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Expenses		
Market housing	47,924	48,257
Social housing	1,839,089	1,696,327
Housing support	8,296	6,539
Fees paid to delivery agents	14,448	18,620
Operating expenses (Note 14)	92,102	98,302
Expenses recoverable (Note 7)	2,001,859	1,868,045

The accompanying notes are an integral part of the financial statements.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

INSURANCE AND GUARANTEE FUNDS

BALANCE SHEET
AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
	(Note 22)	
Investment in securities (Note 16)	1,976,982	1,761,057
Real estate	306,398	289,572
Mortgages	15,791	16,343
Accounts receivable and other assets	4,397	699
Deferred income taxes	14,262	21,341
Due from Corporate Account		4,070
	2,317,830	2,093,082

LIABILITIES	1995	1994
	(Note 22)	
Unearned premiums and guarantee fees	1,525,888	1,430,925
Provision for claims	721,807	649,809
Premium deficiency		55,062
Accounts payable and accrued liabilities	8,959	6,084
Due to Receiver General for Canada	13,308	
Due to Corporate Account	3,882	
	2,273,844	2,141,880
SURPLUS (DEFICIT)	43,986	(48,798)
	2,317,830	2,093,082

The accompanying notes are an integral part of the financial statements.

INSURANCE AND GUARANTEE FUNDS

STATEMENT OF OPERATIONS AND SURPLUS (DEFICIT)
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
	(Note 22)	
Revenues		
Earned premiums and guarantee fees	352,559	300,542
Application fees	36,324	41,276
Income from investments (Note 16)	152,924	86,707
Other	3,093	3,456
	544,900	431,981
Expenses		
Loss on claims	305,280	301,476
Operating expenses (Note 14)	120,403	119,500
Adjustment to provision for claims	71,998	55,682
	497,681	476,658
Income (loss) before the undernoted	47,219	(44,677)
Adjustment to premium deficiency	55,062	(34,571)
Income (loss) before taxes	102,281	(79,248)
Taxes (Note 15)	9,497	7,979
Net income (loss)	92,784	(87,227)
Unappropriated surplus (deficit)		
Balance, beginning of year	(48,798)	28,429
Transfer from appropriated surplus		10,000
Balance, end of year	43,986	(48,798)
Appropriated surplus		
Balance, beginning of year		10,000
Transfer to unappropriated surplus		(10,000)
Balance, end of year		
Surplus (deficit), end of year	43,986	(48,798)

The accompanying notes are an integral part of the financial statements.

INSURANCE AND GUARANTEE FUNDS

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
	(Note 22)	
Operating activities		
Premiums and guarantee fees received	447,522	546,063
Application fees received	36,324	41,276
Investment income received	154,043	97,397
Claims paid	(546,115)	(512,927)
Proceeds from sales of real estate	237,832	188,382
Operating expenses paid	(120,403)	(119,500)
Taxes paid	11,047	(12,080)
Other	(12,885)	(15,661)
	207,365	212,950
Investment activities		
Investment in securities	(215,317)	(219,382)
Decrease in due from Corporate Account	(7,952)	(6,432)

The accompanying notes are an integral part of the financial statements.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995

1. Basis of presentation

Canada Mortgage and Housing Corporation was incorporated as a Crown corporation January 1, 1946. The Corporation is regulated by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is "to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions". The Corporation is for all purposes an agent of Her Majesty in the right of Canada.

The Corporation has three separate responsibilities under its mandate and maintains separate accounting records for each period. Separate financial statements are presented in order to preserve the separate identities of the assets, liabilities, capital, reserve fund, surpluses or deficits.

Together, these statements constitute the financial statements of the Corporation and reflect all of the transactions of the Corporation for the year ended December 31, 1995.

Corporate Account

Within this responsibility, the Corporation makes loans and other investments under various provisions of the *National Housing Act*, develops and sells land holdings, and provides services in housing related areas. Funding is provided by borrowings from the Government of Canada and capital markets.

Minister's Account

The Corporation administers housing programs under provisions of the *National Housing Act* with funding provided by the Government of Canada through annual Parliamentary appropriations. The Corporation is reimbursed for the related operating expenses.

Insurance and Guarantee Funds

The Corporation administers Insurance and Guarantee Funds under provisions of the *National Housing Act*. The Mortgage Insurance Fund provides insurance against borrower default on residential mortgages. The Mortgage-backed Securities Guarantee Fund guarantees the principal and interest for investors of securities based on insured mortgages.

In total, the Corporation manages:

	1995	1994
	(in thousands of dollars)	
Assets	16,163,382	13,857,947
Liabilities	16,084,248	13,863,015
Portion payable to Government of Canada	7,504,816	7,957,663
Minister's Account expenses recoverable from parliamentary appropriations	2,001,859	1,868,045
Operating expenses	248,043	253,463

Operating expenses are allocated to the three separate areas of responsibility as disclosed in Note 14.

2. Summary of accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles in Canada.

(a) Loans

Corporate Account

No provisions are made for possible losses on loans. Losses on insured loans are recoverable from the Mortgage Insurance Fund. Property acquired upon default of uninsured loans is subject to loss recovery as described under Real Estate. Other losses on uninsured loans are recoverable from the Government of Canada through the Minister's Account.

If loans contain forgiveness clauses, such forgiveness is recorded and recovered from the Government of Canada through the Minister's Account when the loans are advanced.

Loans under certain programs give rise to interest rate losses that are recoverable from the Government of Canada through the Minister's Account.

Insurance and Guarantee Funds

Mortgages are valued at cost less a provision for estimated loss.

(b) Federal-provincial agreements

Loans and investments are made under various cost-sharing agreements with the provinces and territories to encourage the development of rental housing, land assembly, co-operative housing, rural and native housing, and housing rehabilitation.

Only the Corporation's share of costs plus capitalized interest are reflected in these statements.

The Corporation's share of subsidies and losses related to these agreements is recovered from the Government of Canada through the Minister's Account.

Gains on the sale of land assembly projects are recognized as income in the Corporate Account.

(c) Real estate

Corporate Account

Real estate includes vacant land and properties acquired directly by the Corporation, or through the Government of Canada at no cost, or through default on uninsured loans.

All real estate is recorded at cost, which includes acquisition costs and any modernization and improvement costs.

Holding costs, including interest, on land acquired directly by the Corporation are capitalized up to appraised value after which the costs are expensed in the Corporate Account. Gains or losses on disposal are recognized in the Corporate Account.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

Holding costs, including interest, on real estate acquired through the Government of Canada at no cost, or through default on uninsured loans, are capitalized. Gains or losses on the disposal of these properties are paid to or recovered from the Government of Canada through the Minister's Account. All net operating losses on real estate are recovered from the Government of Canada through the Minister's Account.

Buildings included as real estate in Loans and Investments are amortized and charged to the Government of Canada through the Minister's Account on a straight-line basis over the same term as the related borrowings.

Insurance and Guarantee Funds

Real estate acquired upon the payment of a claim resulting from a loan default is valued at the lower of cost or net realizable value. Net realizable value is calculated as the current appraised value of the property, as determined by the Corporation, less the discounted value of estimated holding and disposal costs. Amortization is not recorded on the real estate.

(d) Deferred recoveries from the Government of Canada through the Minister's Account

Effective April 1, 1991, expenditures to modernize and improve certain properties are recovered from the Government of Canada through the Minister's Account over a period not exceeding 10 years.

(e) Amortization

Assets under Capital Lease, Business Premises and Equipment are amortized on a diminishing balance basis over the estimated useful life of the asset. Leasehold improvements are amortized on a straight-line basis.

(f) Derivative financial instruments

The Corporation enters into interest rate swap contracts, forward rate agreements and cross currency swaps as hedges in conjunction with overall risk and liability management activities within guidelines set by the Department of Finance. These contracts are not marked to market.

Gains and losses resulting from termination of these contracts transacted to manage risk exposure are deferred and amortized on a straight-line basis to interest income or expense over the term of the exposure.

(g) Short-term investments

Investments are carried at amortized cost plus accrued interest.

Premiums and discounts on investments are amortized to income over the period to maturity of the related investments. Gains or losses on investments not designated as hedges are recognized in the period realized.

The Corporation has a policy of matching the maturity structure of its assets with that of its liabilities. In those cases where funds are raised in advance of the investment in loans, the Corporation holds short-term investments as hedges of the anticipated investment in loans. The term to maturity of the short-term investments matches the term of the borrowing, so that the Corporation is hedged against movements in the interest rates between the date of borrowing, and the date that the short-term investments are sold and loans made.

For investments designated as hedges as part of the Corporation's Asset/Liability management strategy, interest earned on the short-term investments is recognized as income in the current period, whereas gains and losses at disposal of the investments are deferred and amortized on a straight-line basis over the term of the corresponding loan assets. Deferred gains or losses are included in Other assets.

(h) Investment in securities

Investments are carried at amortized cost plus accrued interest.

Premiums and discounts on investments are amortized to income over the period to maturity of the related securities. Gains or losses on investments not designated as hedges are recognized in the period realized.

Investments are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Securities are written down to their fair value when declines in value are other than temporary. Gains and losses realized on disposal of securities and write-downs to reflect other than temporary impairment in value are included in interest income from the securities in the year in which they occur.

Gains or losses on disposal are based on the average cost of the securities sold.

(i) Provision for claims

This provision represents the estimated loss on claims in process of payment and the estimated loss on loans, where defaults have occurred, but for which claims have not yet been received by the Corporation.

(j) Premiums

Premiums are deferred and are taken into income over the life of the related policies based on the risk of default in each year.

(k) Premium deficiency

Annually, the Corporation compares the amount of its unearned premiums by line of business to the discounted costs of claims that have not yet occurred on insurance policies in force. Whenever it is determined that the unearned premiums on a line of business are inadequate to meet the expected net costs of future claims, a premium deficiency is charged to operations. Subsequently, it is taken into income on the same basis as unearned premiums.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

(l) Guarantee fees

Guarantee fees are deferred and are taken into income over the term of the relative Mortgage-backed Security issue on a straight-line basis. Issues currently exist with maturities up to the year 2019.

(m) Application fees

Application fees are recognized as income when received.

(n) Insurance issuance costs

Issuance costs are expensed as incurred.

(o) Pension costs and obligations

The cost of pension benefits earned by employees is charged to income as services are rendered. Adjustments arising from pension plan amendments, experience gains and losses, and changes in assumptions are amortized over the expected average remaining service life of the employee group.

(p) Post-retirement benefits

Post-retirement benefits are expensed as incurred.

3. Interest rate risk—Preferential lending and borrowing arrangements

In 1991 the Government of Canada discontinued the Corporation's right of prepayment without penalty on its borrowings from the Consolidated Revenue Fund.

Of the borrowings, $3.2 billion was for loans made by the Corporation prior to 1986 under various sections of the *National Housing Act* which have prepayment without penalty privileges. These loans have original terms of up to 50 years. As a result, the Corporation assumed the interest rate risk which was previously borne by the Government of Canada.

During 1993 and 1994 some borrowers renegotiated terms at lower rates in lieu of exercising their prepayment rights. No further renegotiations occurred during 1995.

Annual reductions on margin pertaining to renegotiated loans to the next repricing dates are:

	(in thousands of dollars)
1994	26,500
1995	28,800
1996	28,900
1997	29,000
1998	22,300
1999	3,600
2000	900

The effect of the Government of Canada transferring its interest rate risk to the Corporation resulted in the earnings of the Corporate Account being reduced in 1995 by $28.8 million (1994—$26.5 million) and a consequential Net Loss for the year of $8.6 million (1994—$6.3 million), net of income tax credits of $10.9 million (1994—$10.0 million).

This transfer also exposes the Corporation to losses in future years which could be material and significant in relation to the Corporate Account Capital and Reserve Fund.

The renegotiated loans have resulted in a cumulative reduction in interest earnings of $61.3 million to December 31, 1995 and will result in a further reduction in interest earnings of $84.7 million between January 1, 1996 and the next repricing date.

Management estimates that the potential additional reduction on margin on loans not yet renegotiated, depending on prevailing interest rates will be approximately $7.0 million per annum during each of the next five years.

The renegotiated loans together with others which may yet be renegotiated could result in an accumulated reduction of interest earnings of approximately $181.0 million for the period to the next repricing date.

The fact that some of the loans renegotiated in 1993 are eligible for repricing in 1998 and the uncertainty in forecasting future interest rates precludes reasonable estimation of impacts beyond those quoted above.

The Corporation is engaged in discussions of this interest rate risk issue with the Government of Canada.

4. Loans and investments

	1995	1994
	(in thousands of dollars)	
Loans	5,832,205	5,033,621
Federal-Provincial Agreements		
Loans	4,694,032	3,545,288
Investments in housing projects	1,712,134	1,755,487
Land assembly projects	36,327	31,669
	6,442,493	5,332,444
Real estate		
Investments in housing projects	33,438	32,307
Land	92,638	78,376
	126,076	110,683
Total loans and investments	12,400,774	10,476,748

The amount of interest capitalized on real estate in 1995 was $2.3 million (1994—$4.8 million). Holding costs of $5.9 million (1994—$0.0) on land acquired directly by the Corporation have been expensed in the Corporate Account.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

5. Cash and short-term investments

	1995		1994	
	Book value	Market value	Book value	Market value
	(in thousands of dollars)			
Cash	24,800	24,800	(3,806)	(3,806)
Short-term investments	697,283	702,492	569,561	567,540
Total	722,083	727,292	565,755	563,734

The short-term investments have maturities which range up to five years.

Net gains of $0.4 million (1994—$18.2 million loss) on sale of Short-term investments used as hedges have been deferred and are included in Other assets. These gains or losses are offset by the fluctuation on subsequent lending rates on mortgage funds advanced.

6. Off-balance sheet derivative financial instruments

The Corporation employs derivative contracts to manage its interest rate risk and foreign exchange exposure. These contracts include:

Interest rate basis swaps, in which the Corporation exchanges the monthly interest receipts on a notional amount of loans for the receipt of an equivalent amount of interest determined on a semi-annual basis. These swaps convert the Corporation's interest income on loans to the same basis as the interest expense on the debt that finances the loans;

Floating to fixed and fixed to floating interest rate swaps, exchange a fixed monthly payment on a notional amount in exchange for a floating interest rate on the same notional amount. These swaps convert the floating rate portion of debt that finances fixed rate assets to the same fixed interest rate basis as the assets;

Forward rate agreements, in which the Corporation fixes in advance the interest it will pay on a notional amount of floating rate debt. These agreements permit the Corporation to fix the interest rate on floating rate instruments it issues to a rate consistent with the assets that such instruments fund.

Cross currency swaps are agreements to exchange payments in different currencies over predetermined periods of time. These swaps convert foreign currency interest and principal repayments to Canadian dollars.

The amortized notional amounts of the derivative instruments are:

	1995	1994
	(in thousands of dollars)	
Interest rate basis swaps	3,280,519	1,371,812
Interest rate swaps	2,146,973	1,922,191
Forward rate agreements		52,696
Cross currency swaps	410,000	
Total	5,837,492	3,346,699

The Corporation's credit risk on these instruments is based on the present value of the net stream of payments it contracts to pay and receive, and not the notional amounts on which such payments are based.

Using international accepted ratings, the following is a breakdown of the notional amounts of counterparty exposure:

	1995	1994
	(in thousands of dollars)	
Credit rating		
AAA	246,587	514
AA+	2,292,851	1,193,686
AA-	3,298,054	2,152,499
Total	5,837,492	3,346,699

7. Due from the Minister's Account

	1995	1994
	(in thousands of dollars)	
Receivable, beginning of year	252,271	263,812
Minister's Account expenses	2,001,859	1,868,045
Recovered from the Minister	(1,952,525)	(1,879,586)
Receivable, end of year	301,605	252,271

8. Assets under capital lease

	Amortization rate	Cost	Accumulated amortization	Net book value 1995	Net book value 1994
	%	(in thousands of dollars)			
Building	4	29,809	5,504	24,305	25,319
Leasehold improvements	10	9,172	4,585	4,587	5,503
Total		38,981	10,089	28,892	30,822

Amortization in 1995 was $1.9 million (1994—$2.0 million).

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

9. Business premises and equipment

	Amortization rate	Cost	Accumulated amortization	Net book value 1995	Net book value 1994
	%	(in thousands of dollars)			
Land		166		166	166
Buildings	4 or 5	34,913	10,295	24,618	24,239
Leasehold improvements	20	1,609	937	672	626
Equipment	8, 20 or 30	34,981	28,201	6,780	6,993
Total		71,669	39,433	32,236	32,024

Amortization in 1995 was $2.8 million (1994—$2.7 million).

10. Borrowings

The Corporation borrows from the Government of Canada and from capital markets under provisions of the *Canada Mortgage and Housing Corporation Act* and the *National Housing Act* to finance loans and investments.

	1995	Interest rate	Term	1994
	(in thousands of dollars)			
Government of Canada	7,504,816	2.00 to 17.96%	up to 2039	7,957,663
Capital market				
Commercial paper	987,017	average 5.69%	less than a year	375,343
Long-term bonds	4,978,858	6.11% to 8.92%	up to 2001	3,034,197
Total	13,470,691			11,367,203

Commercial Paper includes US $25 million carried at $33.6 million which matures on January 16, 1996. Long-term bonds include US $300 million carried at $410 million which matures on December 1, 2000. All foreign exchange exposure risk is fully hedged for the interest and principal repayments. There were no foreign currency borrowings in the prior year.

Repayments are scheduled as follows:

	Government of Canada	Capital market: Commercial paper	Capital market: Long-term bonds	Total
	(in thousands of dollars)			
1996	262,675	987,017	68,858	1,318,550
1997	193,892			193,892
1998	196,981		1,000,000	1,196,981
1999	191,999		1,500,000	1,691,999
2000	185,033		1,910,000	2,095,033
Thereafter	6,474,236		500,000	6,974,236
Total	7,504,816	987,017	4,978,858	13,470,691

The interest paid to the Government of Canada in 1995 was $680.1 million (1994—$708.3 million).

Capital market borrowing is limited by legislation to $15 billion.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

11. Obligation under capital lease

The Corporation financed additions and improvements to the National Office building in 1990 with a long-term lease that is accounted for as a capital lease. The Corporation assumes ownership of the building for a cost of one dollar at the termination of the lease in 2015.

The annual lease payments are $5.2 million for the first 10 years and $3.6 million for the remaining 15 years.

The minimum lease payments are:

	(in thousands of dollars)
1996 to 2000	25,460
2001 to 2015	53,598
Total future minimum lease payments	79,058
Less interest at 11.77 and 11.57%	45,118
Present value of minimum lease payments	33,940

Interest expense in 1995 was $4.0 million (1994—$4.1 million).

12. Reserve Fund

The Reserve Fund is limited by Order-in-Council to $25 million.

13. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with certain of these entities in the normal course of business. All material related party transactions are either disclosed below or in relevant notes.

The Corporation was authorized by the Government of Canada to approve certain loans and investments at a negative interest margin and to recover the loss from the Government of Canada through the Minister's Account. The interest loss recovered is included in interest income.

The recoveries by program are:

	1995	1994
	(in thousands of dollars)	
Market housing	12,747	11,575
Social housing	15,886	16,804
Total	28,633	28,379

In accordance with Fee for Service agreements between the Corporation and Treasury Board, the Corporation is developing parcels of surplus government lands for residential housing projects. Development costs are capitalized and deducted from sales proceeds; the net of which is returned to the Government of Canada, $1.3 million in 1995 (1994—$3.9 million).

Fees earned in 1995 amounting to $0.3 million (1994—$0.2 million) are reported in Other income.

14. Operating expenses

The operating expenses of the Corporation are allocated on the basis of staff utilization as follows:

	1995		1994	
	(in thousands of dollars)			
		%		%
Corporate Account	35,538	14.3	35,661	14.0
Minister's Account	92,102	37.1	98,302	38.8
Insurance and Guarantee Funds	120,403	48.6	119,500	47.2
Total	248,043	100.0	253,463	100.0

15. Taxes

Taxes include income tax and Large Corporations Tax (LCT).

The tax rate on income is 38%. The Large Corporations Tax levied on certain capital amounts was increased from a rate of 0.2% to 0.225% effective February 28, 1995.

Taxes are:

	1995			1994		
	Income tax	LCT	Total	Income tax	LCT	Total
	(in thousands of dollars)					
Corporate Account	(4,358)	435	(3,923)	(363)	373	10
Insurance and Guarantee Funds	8,427	1,070	9,497	3,856	4,123	7,979
Total	4,069	1,505	5,574	3,493	4,496	7,989

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

16. Investment in securities

	1995						1994	
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total book value	Estimated market value	Total book value	Estimated market value
	(in millions of dollars)							
Mortgage Insurance Fund								
Short-term investments								
Canada Treasury Bills	123.8				123.8	123.9	327.9	325.2
Other	7.8				7.8	8.3	95.7	95.7
Government of Canada bonds	20.3		6.6	956.8	983.7	1,035.8	638.0	608.3
Provincial bonds	6.0		159.2	107.6	272.8	286.5	296.1	275.5
Corporate bonds	2.0		13.0	206.9	221.9	232.4	67.1	65.0
Mortgage-backed securities	1.7	138.8	112.0	55.4	307.9	323.2	290.9	277.4
Total	161.6	138.8	290.8	1,326.7	1,917.9	2,010.1	1,715.7	1,647.1
Other funds								
Short-term investments								
Canada Treasury Bills	11.3				11.3	11.3	11.1	11.1
Other	0.8				0.8	0.7	1.1	1.1
Government of Canada bonds	12.3		2.3	12.6	27.2	29.0	15.8	15.7
Provincial bonds	0.1		6.9	12.8	19.8	20.7	17.3	15.9
Total	24.5		9.2	25.4	59.1	61.7	45.3	43.8
Total	186.1	138.8	300.0	1,352.1	1,977.0	2,071.8	1,761.0	1,690.9

Sales to acquire more attractive alternative investments during 1995 resulted in a gain of $13.0 million (1994—loss of $35.5 million). These totals are included in Income from investments in the current year.

17. Commitments

(a) Loans and investments

Commitments outstanding for loans and investments amounted to $162.6 million at December 31, 1995 (1994—$367.8 million).

(b) Operating leases

Minimum rental payments scheduled over the next five years on business premises and equipment under long-term non-cancellable leases are:

	1996	1997	1998	1999	2000
	(in thousands of dollars)				
Business premises	9,328	7,788	6,537	5,242	3,683
Equipment	14,547	9,048	5,940	180	160
Total	23,875	16,836	12,477	5,422	3,843

(c) Future contractual obligations

Total financial obligations under contracts for the Minister's Account, Social Housing programs, extend for periods up to 40 years. Uncertainty in forecasting the economic factors used to calculate the financial obligations precludes reasonable estimation beyond five years.

Estimated obligations for the next five years are:

	(in millions of dollars)
1996	1,805
1997	1,791
1998	1,795
1999	1,834
2000	1,876

18. Contingent liabilities

In the Notes to Financial Statements for previous years, there was reference to legal claims regarding urea-formaldehyde foam insulation totalling approximately $32.7 million. This amount has now been retained notwithstanding a recent Quebec Court of Appeal decision dismissing the claim of homeowners in six representative cases, in one of which the Corporation was a party. The time for appeal to the Supreme Court of Canada expired in December 1995. The practical consequences of this decision is to extinguish all claims regarding urea-formaldehyde foam insulation before the Quebec courts. There, however, remain outstanding claims before the Federal Court and the courts in other provinces. Once the disposition of these claims is determined, any contingent liability for this matter will be eliminated. It is uncertain if costs arising from the legal claims regarding urea-formaldehyde foam insulation would be charged to the Corporate Account or the Government of Canada through the Minister's Account. There are no other legal claims against the Corporate Account at the end of 1995 (1994—nil).

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

There were other legal claims of $2.8 million at the end of 1995 (1994—$3.8 million), which if successfully held against the Corporation, could result in charges to the Government of Canada through the Minister's Account.

Legal claims of $81.5 million (1994—$67.6 million) are pending against the Mortgage Insurance Fund.

Due to the uncertainty of the outcome of these events, no provision for loss has been made. Costs arising as a result of these actions would be expensed when determined.

19. Pension plan

The Corporation maintains an indexed, defined benefit pension plan. Retirement benefits are based on the average salary in any best five-year period and the number of years of service.

The accrued pension benefits are determined using the projected benefits method prorated on service.

The Corporation's funding policy is to contribute the amount required to provide for current benefits attributed to service and to pay the unfunded pension plan liabilities over periods permitted by regulatory authorities.

Based on an actuarial valuation at January 1, 1993, and using management's best estimates, the status of the plan at December 31 is:

	1995	1994
	(in thousands of dollars)	
Net assets available for benefits	653,773	572,424
Actuarial value of accrued pension benefits	589,676	568,091
Excess of net assets over actuarial value of accrued pension benefits	64,097	4,333
Annual pension cost		
Current service costs	18,477	10,724
Government pension plans	2,386	2,356
Amortization of experience gains and losses	(692)	(693)
Total	20,171	12,387

Work is underway to complete an actuarial valuation at January 1, 1996.

20. Actuarial valuation

Mortgage Insurance Fund

An actuarial study of the Fund as at September 30, 1995 disclosed that the Fund had a pre-tax deficit of $23.8 million (September 30, 1994—$85.7 million pre-tax deficit).

21. Insurance and guarantees in force

(a) Mortgage Insurance Fund

Under section 21 of the *National Housing Act*, the aggregate outstanding amount of all loans for which the insurance policies are issued may not exceed $150 billion. As at December 31, 1995, insurance policies in force totalled approximately $113.3 billion (1994—$102.2 billion).

(b) Mortgage-backed Securities Guarantee Fund

At December 31, 1995, guarantees in force totalled approximately $17.1 billion (1994—$17.5 billion).

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

22. Insurance and Guarantee Funds

BALANCE SHEET
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgage-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1995	1994	1995	1994	1995	1994
ASSETS						
Investment in securities	1,917,877	1,715,697	46,564	42,233	12,541	3,127
Real estate	306,398	280,572				9,000
Mortgages	15,791	16,343				
Accounts receivable and other assets	4,397	699				
Deferred income taxes	14,035	20,854	227	329		158
Due from (to) Corporate Account		4,255		(537)		352
	2,258,498	2,038,420	46,791	42,025	12,541	12,637
LIABILITIES						
Unearned premiums and guarantee fees	1,505,839	1,405,483	20,049	25,442		
Provision for claims	721,807	649,809				
Premium deficiency		55,062				
Accounts payable and accrued liabilities	8,863	6,034			96	50
Due to (from) the Receiver General for Canada	13,446		(125)		(13)	
Due to (from) Corporate Account	436		3,734		(288)	
	2,250,391	2,116,388	23,658	25,442	(205)	50
SURPLUS (DEFICIT)	8,107	(77,968)	23,133	16,583	12,746	12,587
	2,258,498	2,038,420	46,791	42,025	12,541	12,637

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

22. Insurance and Guarantee Funds—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS (DEFICIT)
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgage-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1995	1994	1995	1994	1995	1994
Revenues						
Earned premiums and guarantee fees	344,092	292,212	8,467	8,330		
Application fees	35,895	40,334	429	942		
Income from investments	149,217	83,679	3,344	2,813	363	215
Other	2,563	2,858			530	598
	531,767	419,083	12,240	12,085	893	813
Expenses						
Loss on claims	304,578	300,584	263		439	892
Operating expenses	118,699	117,640	1,530	1,620	174	240
Adjustment to provision for claims	71,998	55,682				
	495,275	473,906	1,793	1,620	613	1,132
Income (loss) before the undernoted	36,492	(54,823)	10,447	10,465	280	(319)
Adjustment to premium deficiency	55,062	(34,571)				
Income (loss) before taxes	91,554	(89,394)	10,447	10,465	280	(319)
Taxes	5,479	3,990	3,897	4,062	121	(73)
Net income (loss)	86,075	(93,384)	6,550	6,403	159	(246)
Unappropriated surplus (deficit)						
Balance, beginning of year	(77,968)	5,416	16,583	10,180	12,587	12,833
Transfer from appropriated surplus		10,000				
Balance, end of year	8,107	(77,968)	23,133	16,583	12,746	12,587
Appropriated surplus						
Balance, beginning of year		10,000				
Transfer to unappropriated surplus		(10,000)				
Balance, end of year						
Surplus (deficit), end of year	8,107	(77,968)	23,133	16,583	12,746	12,587

CANADA MORTGAGE AND HOUSING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Concluded*

22. Insurance and Guarantee Funds—*Concluded*

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgage-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1995	1994	1995	1994	1995	1994
Operating activities						
Premiums and guarantee fees received	444,448	538,605	3,074	7,458		
Application fees received	35,895	40,334	429	942		
Investment income received	150,660	92,591	3,052	4,589	331	217
Claims paid	(546,115)	(512,927)				
Proceeds from sales of real estate	229,132	188,382			8,700	
Operating expenses paid	(118,699)	(117,640)	(1,530)	(1,620)	(174)	(240)
Taxes paid	14,943	(7,987)	(3,920)	(4,045)	24	(48)
Other	(13,060)	(16,152)	(263)		438	491
	197,204	205,206	842	7,324	9,319	420
Investment activities						
Investment in securities	(201,895)	(211,293)	(4,039)	(7,471)	(9,383)	(618)
Decrease in due from Corporate Account	4,691	6,087	3,197	147	64	198

The Rental Guarantee program is no longer active.

CANADA PORTS CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1995 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, except that certain transactions of the Corporation which were brought to our attention by management may not have been appropriately authorized or may be otherwise irregular (see Note 13), the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Arthur Anderson & Co.
Chartered Accountants

Ottawa, Canada
February 23, 1996

BALANCE SHEET
AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash	2,567	1,520
Short-term investments (Note 3)	29,642	24,966
Accounts receivable	8,880	6,884
Due from Canada	1,921	1,008
Materials and supplies	2,875	2,694
	45,885	37,072
Investments (Note 3)	16,836	18,414
Capital assets (Note 4)	103,329	97,979
	166,050	153,465
Interport Loan Fund (Note 9)	98,648	96,097
	264,698	249,562

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities (Note 5)	18,003	17,067
Due to Interport Loan Fund (Note 6)	1,722	1,340
	19,725	18,407
Accrued employee benefits	1,913	2,357
Deferred revenues	295	442
Due to Interport Loan Fund (Note 6)	59,729	51,306
Long-term debt (Note 7)	179,863	186,040
	261,525	258,552
Contingency (Note 1)		
DEFICIENCY OF CANADA		
Contributed capital	111,672	111,672
Deficit (Note 8)	(207,147)	(216,759)
	(95,475)	(105,087)
	166,050	153,465
Interport Loan Fund (Note 9)	98,648	96,097
	264,698	249,562

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

JAMES B. POWERS
Acting Chairman

DON N. MORRISON
Acting President and Chief Executive Officer

CANADA PORTS CORPORATION—*Continued*

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Revenue from operations	58,486	60,797
Operating and administrative expenses	26,572	26,225
Depreciation	4,597	4,776
Municipal grants and taxes	2,675	2,816
	33,844	33,817
Income from operations	24,642	26,980
Investment income	4,162	3,500
Interest expense	(17,738)	(17,605)
Net income for the year before the undernoted items	11,066	12,875
Workers' compensation benefits	(1,283)	
Write-down of capital assets		(7,586)
Net income for the year	9,783	5,289
Deficit at beginning of the year	(216,759)	(221,805)
Dividend to Canada	(171)	(243)
Deficit at end of the year	(207,147)	(216,759)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Net income for the year	9,783	5,289
Items not affecting cash		
Depreciation	4,597	4,776
Write-down of capital assets		7,586
Other	(600)	724
Net change in non-cash components of working capital	(800)	865
Cash provided by operating activities	12,980	19,240
Financing activities		
Capital grants		168
Change in due from Canada	(913)	(713)
Transfers from Interport Loan Fund	10,145	4,700
Repayment of transfers from Interport Loan Fund	(1,340)	(1,114)
Issuance of long-term debt	11,434	11,000
Repayment of long-term debt	(17,607)	(21,468)
Dividend paid to Canada	(171)	(243)
Cash provided (required) by financing activities	1,548	(7,670)
Investing activities		
Additions to capital assets	(9,938)	(5,877)
Change in construction payables	(445)	197
Decrease (increase) in long-term investments	1,578	(66)
Cash required by investing activities	(8,805)	(5,746)
Increase in cash and short-term investments	5,723	5,824
Cash and short-term investments at beginning of the year	26,486	20,662
Cash and short-term investments at end of the year	32,209	26,486

The accompanying notes are an integral part of these financial statements.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. *Canada Ports Corporation Act*

Canada Ports Corporation (the Corporation) was established under the Canada Ports Corporation Act (the *Act*), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct reponsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility at Prince Rupert. The *Act* provides for the establishment of local port corporations to manage and operate additional selected ports. The *Act* also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

On December 15, 1995 Transport Canada released its National Marine Policy, which indicated that the *Canada Ports Corporation Act* will be replace by a new *Canada Marine Act*. The effect of the reorganization of port facilities in Canada, if any, on the recoverability of the Corporation's assets and the discharge of its liabilities as reflected in the accompanying financial statements, is not determinable at this time and as such a provision for adjustments which may be ultimately required has not been made in the accompanying financial statements.

2. Significant accounting policies

(a) Financial statements

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not automatically accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 9).

(b) Investments

The short-term investments are carried at lower of amortized cost, whereby premiums or discounts from par value are amortized over the periods to maturity, or market. Long-term investments are carried at amortized cost or market if a permanent decline exists.

(c) Materials and supplies

Materials and supplies consist of supplies, consumables and repair parts. They are valued at the lower of cost or market.

(d) Capital assets

Capital assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Government assistance received towards capital projects is deducted from the cost of the related capital assets.

Depreciation of capital assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful lives of the assets.

(e) Pension plans

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to Canada for indexation payments under the *Supplementary Retirement Benefits Act*. Employees of RTI are covered separately by a non-contributory defined-benefit plan.

(f) Municipal grants and taxes

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(g) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(h) Revenue recognition

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50% of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. Investments

Short-term investments consist of $29,642,000 of Canada treasury bills (1994—$24,966,000). As at December 31, 1995 and 1994, the market value of the short-term investments approximates their amortized cost.

Long-term investments of $16,836,000 (1994—$18,414,000) are Canada bonds and as at December 31, 1995, their market value is $21,014,000 (1994—$20,743,000).

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Continued*

4. Capital assets

(a) Summary

	Depreciation rates	Cost or appraised value	Accumulated depreciation and write-downs	1995 Net	1994 Net
	%	(in thousands of dollars)			
Land		6,682		6,682	6,609
Dredging	2.5-6.7	16,123	9,955	6,168	6,335
Berthing structures	2.5-10	50,607	25,968	24,639	25,503
Buildings	2.5-10	34,465	15,045	19,420	19,810
Coal terminal facility	4-33	22,335	3,333	19,002	19,622
Utilities	3.3-10	8,541	3,186	5,355	5,699
Roads and surfaces	2.5-10	5,836	3,359	2,477	2,419
Machinery and equipment	5-100	31,240	22,250	8,990	8,197
Office furniture and equipment	20	4,027	3,522	505	813
Works under construction		10,091		10,091	2,972
		189,947	86,618	103,329	97,979

(b) Capital grants

In 1995, the Corporation has not received any capital grants towards the construction of capital assets (1994—$168,000).

(c) Commitments

Contractual obligations for the completion, construction and purchase of capital assets are estimated at $2,538,000 of which most will be expended in the year ending December 31, 1996.

RTI leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are deferred revenues of $3,277,000 (1994—$1,070,000) and current portion of long-term debt of $77,000 (1994—$73,000).

6. Due to Interport Loan Fund

The Interport Loan Fund has provided long-term financing for the coal terminal and mixed cargo terminal projects at the Port of Belledune and the Alouette project at the Port of Sept-Îles as follows:

	1995	1994
	(in thousands of dollars)	
(a) Transfers to the Port of Belledune bearing interest at 7.18% to 11.47%, repayable in twenty blended annual instalments of principal and interest of $3,405,000 and maturing between December 31, 2013 and 2015	29,202	23,135
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in twenty blended annual instalments of principal and interest of $3,836,000 and maturing December 31, 2011	32,249	29,511
	61,451	52,646
Less: current portion	(1,722)	(1,340)
	59,729	51,306

Principal repayment requirements over the next five years amount to $1,722,000 in 1996, $1,876,000 in 1997, $2,044,000 in 1998, $2,227,000 in 1999 and $2,426,000 in 2000.

7. Long-term debt

	1995	1994
	(in thousands of dollars)	
(a) Loan from Canada, bearing interest at 6.44%, repayable in twenty blended annual instalments of principal and interest of $106,000 and maturing on December 31, 2000	440	513
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93% payable annually	165,000	165,000
(c) RTI note, under a revolving credit facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plus 0.20% payable at maturity of note	14,500	20,600
	179,940	186,113
Less: current portion	(77)	(73)
	179,863	186,040

Principal repayment requirements over the next five years amount to $77,000 in 1996, $82,000 in 1997, $179,588,000 in 1998, $93,000 in 1999 and $100,000 in 2000.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Continued*

The debt of RTI which is with Export Development Corporation (EDC) consists of notes. Under the financing arrangement with EDC, the fixed rate note is repayable in 1998, while notes issued under the revolving credit facility, at variable rates, are repayable by August 12, 1998.

The revolving credit facility provides for notes to be issued up to an aggregate maximum of $41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the credit facility due on August 12, 1998. As at December 31, 1995, the interest rate on the note under the credit facility is approximately 6.3%.

The financing with EDC is guaranteed unconditionally by Canada to a maximum of $230 million and is secured by a $250 million collateral demand debenture over all present and future assets of RTI.

8. Deficit

At the incorporation of RTI in 1981, 50% of RTI was owned by the Corporation while the remaining 50% was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50% ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of $58.5 million was paid in cash and was fully financed by Canada. The excess of the purchase price, over the assets acquired of $31.7 million less the liabilities assumed of $229.1 million, resulted in a loss on acquisition of RTI of $255.9 million which forms the most significant component of the deficit of the Corporation.

9. Interport Loan Fund

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Until December 31, 1994, earnings of the Fund were, pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. During 1995, the terms and conditions were amended to provide that the remainng earnings of the Fund of a year, after providing for the dividend to Canada, be transferred to the Corporation.

The balance sheet of the Fund as at December 31 shows:

	1995	1994
	(in thousands of dollars)	
Assets		
Current		
Cash and investments	32,897	38,745
Transfers receivable	1,722	1,340
Loans receivable	175	162
	34,794	40,247
Transfers receivable	59,729	51,306
Loans receivable	6,143	6,318
Allowance for doubtful accounts	(2,018)	(1,774)
	98,648	96,097
Liability		
Current		
Accounts payable	2,104	
Fund Balance		
Contributions from Canada	76,650	76,650
Retained earnings	19,894	19,447
	96,544	96,097
	98,648	96,097

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1995 and 1994, the market value of the investments approximates their amortized cost.

In 1995, the Fund advanced $10.1 million (1994—$4.7 million) to the ports of Belledune and Sept-Îles for capital projects.

The Fund is committed to provide financing of $13.6 million in 1996 for financially viable capital projects at the Port of Belledune.

The statement of income and retained earnings of the Fund is as follows:

	1995	1994
	(in thousands of dollars)	
Interest income	7,927	7,012
Operating and administrative expenses	497	206
Net income for the year	7,430	6,806
Retained earnings at beginning of the year	19,447	17,362
Dividend to Canada	(4,879)	(4,721)
Transfer to the Corporation	(2,104)	
Retained earnings at end of the year	19,894	19,447

10. Pension plans

As at December 31, 1995, the updated actuarial reports of RTI's non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to $7,193,000 (1994—$4,993,000) and the value of the pension fund assets, at market value, amounts to $6,675,000 (1994—$5,204,000). RTI's pension expense for 1995 of $616,000 (1994—$380,000) is actuarially determined.

CANADA PORTS CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

11. Related party transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the *Act*, operating and administrative costs incurred by the Corporation in the amount of $5,356,000 have been recovered from the local port corporations in 1995 (1994—$8,245,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of $1,803,000 (1994—$2,024,000) charged by a local port corporation. At December 31, 1995, $379,000 (1994—$233,000) of rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is $4,493,000 (1994—$4,486,000) of interest payable to EDC, a Crown corporation (see Note 7).

Investment income of $4,100,000 (1994—$3,467,000) was earned on Canada securities and interest charges of $33,000 (1994—$37,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in Notes 3, 4(b), 7, 8 and 9.

12. Other contingent liabilities

Claims aggregating approximately $3,800,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in the future cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

In the normal course of business, the Corporation is exposed to potential environmental issues, the ultimate effect of which is not determinable at this time, and as such, no provision has been made in the accompanying financial statements.

13. Other matters

The Corporation is required to comply with, amongst other requirements, the *Financial Administration Act* and regulations as it applies, the *Canada Ports Corporation Act*, and the by-laws of the Corporation. During 1995, certain matters arose, involving expenditures of the Corporation which may not have been appropriately authorized or may be otherwise irregular, and these are being addressed by management and the board of directors and reported to the Minister. In the opinion of management, these matters are not material to the overall financial position of the Corporation, and the ultimate resolution of them is not expected to have a material impact on the overall financial position of the corporation as reflected in the accompanying financial statements.

CANADA POST CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management and the Board of Directors are responsible for the consolidated financial statements and all other information presented in this Annual Report in accordance with the *Financial Administration Act* and regulations. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

In support of its responsibilities, management maintains financial and management control and information systems and management practices which are of high quality, consistent with reasonable cost. These systems and practices are designed to provide reasonable assurance that relevant and reliable financial information is produced and the assets are safeguarded and controlled in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Post Corporation Act* and by-laws of the Corporation. Internal audits are conducted to assess management systems and practices, and reports are issued to the Management Executive Committee and the Audit Committee of the Board.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control principally through the Audit Committee, which is composed of five directors, none of whom is an employee of the Corporation. The Audit Committee meets regularly to oversee the internal audit activities of the Corporation, and at least annually to review the consolidated financial statements and the external auditors' report thereon and recommend them to the Board of Directors for approval.

Each year, the Governor in Council appoints the Corporation's external auditors. Deloitte & Touche were appointed for the current fiscal year. They audit the consolidated financial statements and report to the Audit Committee as well as the Minister responsible for Canada Post Corporation.

Georges C. Clermont
President and Chief Executive Officer

Ian A. Bourne
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE
FOR CANADA POST CORPORATION

We have audited the consolidated balance sheet of Canada Post Corporation as at March 30, 1996, and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 30, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Post Corporation Act* and the by-laws of the Corporation and its wholly-owned subsidiaries.

The consolidated financial statements for the year ended March 25, 1995, were reported on by another firm of chartered accountants.

Deloitte & Touche
Chartered Accountants

Ottawa, Canada
May 3, 1996

CANADA POST CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

ASSETS	March 30 1996	March 25 1995	LIABILITIES AND EQUITY OF CANADA	March 30 1996	March 25 1995
Current assets			Current liabilities		
Cash and short-term investments	58,772	4,930	Accounts payable and accrued liabilities	323,611	370,749
Accounts receivable	250,707	280,695	Salaries and benefits	261,396	306,139
Prepaid expenses	65,982	69,677	Deferred revenues	169,693	172,552
	375,461	355,302	Outstanding money orders	37,744	39,662
Segregated cash and investments (Note 4)	253,284	215,819		792,444	889,102
Capital assets (Note 5)	1,702,170	1,793,100	Long-term debt (Note 7)	255,884	278,994
Other assets (Note 6)	184,464	200,369	Termination and post-retirement benefits	440,836	398,460
			Equity of Canada (Note 8)	1,026,215	998,034
	2,515,379	2,564,590		2,515,379	2,564,590

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

ANDRÉ OUELLET
Chairman of the Board of Directors

KAY LeMESSURIER
Chairman of the Audit Committee

CANADA POST CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED
(in thousands of dollars)

	March 30 1996	March 25 1995
Revenue from operations	4,949,388	4,743,377
Cost of operations	4,878,972	4,774,666
Income (loss) from operations	70,416	(31,289)
Other income (expense)		
Investment and other income	4,091	4,595
Amortization of goodwill	(7,267)	(6,874)
Interest (Note 7)	(35,082)	(30,887)
	(38,258)	(33,166)
Income (loss) before income taxes	32,158	(64,455)
Provision for income taxes (Note 9)	3,977	4,400
Net income (loss)	28,181	(68,855)
Deficit, beginning of year	(357,138)	(288,283)
Deficit, end of year	(328,957)	(357,138)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED
(in thousands of dollars)

	March 30 1996	March 25 1995
Cash provided by (used in)		
Operating activities		
Net income (loss)	28,181	(68,855)
Items not requiring cash		
Amortization of capital assets	167,273	158,064
Amortization of other assets	15,701	23,845
(Gain) loss on disposal of capital assets	(174)	268
Accrued termination and post-retirement benefits	66,641	56,536
	277,622	169,858
Termination and post-retirement benefit payments	(24,265)	(25,758)
Change in non-cash working capital		
Decrease (increase) in accounts receivable	29,988	(1,868)
Decrease in accounts payable and accrued liabilities	(47,138)	(130)
Decrease in salaries and benefits	(44,743)	(2,132)
Decrease in other non-cash working capital	(1,082)	(13,950)
	190,382	126,020
Financing activities		
Decrease in long-term debt	(23,110)	
Investing activities		
Acquisition of capital assets	(81,719)	(131,645)
Proceeds on disposal of capital assets	5,550	22,397
Decrease (increase) in long-term investments	204	(14,134)
Increase in segregated cash and investments	(37,465)	(28,525)
	(113,430)	(151,907)
Increase (decrease) in cash and short-term investments	53,842	(25,887)
Cash and short-term investments at beginning of year	4,930	30,817
Cash and short-term investments at end of year	58,772	4,930

The accompanying notes are an integral part of these financial statements.

CANADA POST CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 30, 1996

1. Incorporation

The Corporation was established by the *Canada Post Corporation Act* to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Part II of Schedule III to the *Financial Administration Act* and is an agent of Her Majesty.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Consolidation

The consolidated financial statements of the Corporation include the accounts of Canada Post Corporation and its wholly-owned subsidiaries, Canada Post Systems Management Limited, CINA Holdings B.V. and Canada Post Holdings Limited (which has a controlling interest in PCL Courier Holdings Inc.).

Goodwill arising on the acquisition of subsidiaries is amortized on a straight-line basis over 20 years.

(b) Fiscal year-end

The Corporation's fiscal year ends on the last Saturday in March in order to better align reporting to its operations. The fiscal year ended March 30, 1996 included 53 weeks. The fiscal year ended March 25, 1995 included 52 weeks.

(c) Capital assets and amortization

Land, buildings and equipment transferred from the Government of Canada on incorporation were recorded at their fair value at that date, determined as follows:

Land	—market value based on existing use
Buildings	—amortized replacement cost
Plant equipment, vehicles, sales counter and office furniture and equipment, and other equipment	—amortized replacement cost or original cost less estimated amortization

The market value of land and the amortized replacement cost of buildings transferred by the Government of Canada were determined by independent appraisals.

Acquisitions subsequent to incorporation are recorded at cost.

The Corporation has an agreement with both the National Archives of Canada and the Canadian Museum of Civilization to operate, administer and maintain a Canadian Postal Archives and a National Postal Museum, respectively, containing philatelic material, postal artifacts, a postal library and exhibits that trace the history of the mail and other memorabilia. These collections, exhibits and books of undetermined value are not for resale and are recorded at a nominal cost.

Amortization is provided on a straight-line basis over the estimated useful lives of the following assets:

Buildings	30 and 40 years
Leasehold improvements	Initial fixed lease term plus period of first renewal option
Plant equipment	3 to 30 years
Vehicles (other than passenger and light-duty commercial)	6 to 10 years
Sales counter and office furniture and equipment	3 to 20 years
Other equipment	5 to 15 years

Amortization is provided on a diminishing balance basis at an annual rate of 30% for all passenger and light-duty commercial vehicles.

(d) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(e) Termination and post-retirement benefits

Employees are entitled to specified termination benefits, calculated at salary levels at the time of termination, as provided under collective agreements or conditions of employment. The present value of the projected costs of termination benefits, as determined by actuarial valuation, is recorded in the accounts as a long-term liability. Such benefits accruing to employees, as well as gains and losses arising from actuarial valuation, are included in current operations.

In addition, the Corporation provides certain health care benefits to eligible retirees. Current service costs have been determined by actuarial valuation and included in current operations. Past service costs have also been determined by actuarial valuation and are being amortized over the expected average remaining service life of the employee population.

(f) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $100,610,000 (1995—$90,047,000), are included in current operations. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies or indexation payments under the *Public Service Superannuation Act*.

(g) Income taxes

The Corporation follows the deferral method of income tax allocation.

CANADA POST CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 30, 1996—*Continued*

3. Restructuring costs

In 1993/94, the Corporation established a non-recurring restructuring charge relating to a multi-year program of network changes to rationalize and consolidate facilities and organization. The remaining provision as at March 30, 1996 is $23,000,000 (1995—$80,000,000).

4. Segregated cash and investments

The Corporation has segregated certain cash and investments, recorded at cost, for the purpose only of managing cash flows relating to the employee termination benefits liability.

5. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Land	288,545		288,545	290,294
Buildings	1,179,193	588,179	591,014	618,551
Leasehold improvements	120,519	47,352	73,167	71,650
Plant equipment	772,039	402,499	369,540	403,469
Vehicles	91,744	88,661	3,083	8,253
Sales counter and office furniture and equipment	292,378	184,026	108,352	129,403
Other equipment	435,965	167,497	268,468	271,479
Collection of postal memorabilia	1		1	1
	3,180,384	1,478,214	1,702,170	1,793,100

6. Other assets

	1996	1995
	(in thousands of dollars)	
Goodwill, net of accumulated amortization	123,529	130,796
Investment in G.D. Net B.V., at cost	32,638	32,638
Other	28,297	36,935
	184,464	200,369

7. Long-term debt

	1996	1995
	(in thousands of dollars)	
10 year loan from the Government of Canada due April 1998, interest at 9.705%	80,000	80,000
Non-redeemable bonds maturing March 2016, interest at 10.35%	55,000	55,000
US $105,000 10 year Senior Notes issued by Purolator Courier Limited due March 2004.	142,800	142,800
Under a refinancing agreement reached with the lenders May 3, 1996, the following terms and conditions apply: US $55,000 of the Senior Notes carry interest at 9.33% until February 28, 1997 and at 9.83% thereafter, with principal payments due over the term. US $50,000 of the Senior Notes carry interest at 10.08%, with principal payments due in equal instalments over the last five years of the term. The Notes are secured by substantially all of the assets of Purolator Courier Limited without recourse to Canada Post Corporation Under the indenture, Purolator Courier Limited is subject to certain financial and other covenants throughout the term of the debt.		
Concurrently, Purolator Courier Limited entered into currency swaps covering all principal and interest payments and, as a result, the principal balance has been effectively converted to CAN $142,800 at 11.6%.		
Subordinate notes issued by PCL Courier Holdings Inc. due October 1998, interest at 12.5%.	1,194	1,194
	278,994	278,994
Less amount due within one year	23,110	
	255,884	278,994

Interest expense on long-term debt was $28,568,000 (1995—$28,029,000).

The annual amounts of principal payments to meet long-term obligations are as follows:

	$
1997	23,110
1998	4,080
1999	85,274
2000	16,321
2001	27,202
2002 and thereafter	123,007
	278,994

CANADA POST CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 30, 1996—*Concluded*

8. Equity of Canada

	1996	1995
	(in thousands of dollars)	
Contributed capital	1,355,172	1,355,172
Deficit	(328,957)	(357,138)
Equity of Canada	1,026,215	998,034

The *Canada Post Corporation Act* provides for the establishment of a share capital structure. The Corporation is authorized to issue shares to the Government of Canada based on the net asset value of the Corporation on the date of the first issue of shares, as determined by the Board of Directors, with the approval of the Treasury Board.

9. Income taxes

On March 27, 1994, Canada Post Corporation became a prescribed Crown corporation for tax purposes and as such is subject to federal income taxation under the *Income Tax Act.*

The tax basis of Canada Post Corporation's assets was established at an amount that exceeded the recorded carrying value. The future benefit related to this excess has not been recorded in the consolidated financial statements but will be realized as additional tax deductions over a period of years.

The income tax provision includes the Large Corporations Tax.

Consolidated tax loss carry-fowards in the amount of $440,000,000 are available to reduce future income taxes and will expire by the year 2003. The benefit of these tax loss carry-forwards and net unclaimed tax deductions have not been recognized in the Corporation's consolidated financial statements.

10. Contingencies

(a) Two complaints have been filed with the Canadian Human Rights Commission alleging discrimination by the Corporation concerning work of equal value. The Corporation is presenting its evidence before the Tribunal with respect to one complaint and the Commission has not begun its investigation of the second. The outcome of these complaints is not currently determinable. Settlement, if any, arising from resolution of these matters, will be recovered in future postal rates (as determined in accordance with the *Canada Post Corporation Act*) and/or from the Government of Canada.

(b) The Corporation is involved in various claims and litigation in the normal course of business for which provisions have been made to the extent determinable.

(c) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

11. Commitments

The Corporation's future minimum payments with respect to computing and communications utility services as well as facilities and other operating leases with terms in excess of one year, are as follows:

	(in thousands of dollars)
1997	202,355
1998	181,496
1999	171,830
2000	152,688
2001	123,716
2002 and thereafter	299,880
	1,131,965

12. Related-party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these consolidated financial statements.

(a) Payments on behalf of postal users

Where Government policy requires the Corporation to provide services at rates less than costs to the publications industry, and for Government free mail, literature for the blind and Northern air stage services, the Government of Canada compensates the Corporation for foregone postage revenue from those sources. Revenues amounting to $96,946,000 (1995—$96,818,000) are included in revenue from operations.

(b) Real property

The Corporation has incurred net operating costs of $51,337,000 (1995—$115,110,000) in respect of real property agreements with Public Works and Government Services Canada.

(c) Subsidiaries

Transactions with subsidiaries are made at prices and terms comparable to those given to other customers and suppliers.

(d) Other

The Corporation has other transactions with the Government of Canada, its agencies and other Crown corporations in the normal course of business.

As a result of all the above transactions, the amounts due from and to these parties are $23,329,000 (1995—$18,194,000) and $42,541,000 (1995—$93,288,000) respectively.

13. Comparative figures

Comparative figures have been reclassified to conform with the current year's presentation.

CANADIAN BROADCASTING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements and all other information presented in the annual report are the responsibility of management and have been reviewed and approved by the Board of Directors of the Corporation. These financial statements, which include amounts based on management's best estimates as determined through experience and judgement, have been properly prepared within reasonable limits of materiality and are in accordance with generally accepted accounting principles.

Management of the Corporation maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. These controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that operations are carried out effectively and that transactions are in accordance with the *Broadcasting Act* and the by-laws of the Corporation.

The Corporation's Internal Auditor has the responsibility for assessing the Corporation's systems, procedures and practices. The Auditor General of Canada conducts an independent audit of the annual financial statements and reports on his audit to the Canadian Broadcasting Corporation and the Minister Designate of Canadian Heritage.

The Board of Directors' Audit Committee, which consists of four members, none of whom is an officer of the Corporation, reviews and advises the Board on the financial statements and the Auditor General's report thereto. The Audit Committee oversees the activities of Internal Audit and meets with management, the Internal Auditor and the Auditor General on a regular basis to discuss the financial reporting process as well as auditing, accounting and reporting issues.

Perrin Beatty
President and CEO

Louise Tremblay
Senior Vice-President, Resources

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF THE
CANADIAN BROADCASTING CORPORATION
AND THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Broadcasting Corporation as at March 31, 1996 and the statements of operations and reconciliation to government funding, proprietor's equity account and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Broadcasting Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part III of the *Broadcasting Act* and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 14, 1996

CANADIAN BROADCASTING CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash and short-term investments	181,055	58,608
Accounts receivable	108,620	103,392
Programs completed and in process of production, or available for sale	77,849	76,965
Prepaid film and script rights and other expenses	61,369	57,580
Deferred income tax	18,858	
	447,751	296,545
Capital assets (Note 7)	1,219,056	1,279,489
Deferred charges and goodwill (Note 8)	28,987	36,011
Other assets	882	915
	1,248,925	1,316,415
	1,696,676	1,612,960

LIABILITIES	1996	1995
Current		
Accounts payable and accrued liabilities	191,579	176,396
Accrued vacation pay	37,730	54,272
Employee termination benefits	153,293	36,074
Accrued interest on capital lease (Note 11)	14,193	15,577
	396,795	282,319
Long-term		
Employee termination benefits	66,684	104,093
Deferred pension liability (Note 10)	155,314	69,932
Obligations under capital leases (Note 11)	397,672	418,017
	619,670	592,042
PROPRIETOR'S EQUITY		
Proprietor's equity account	680,211	738,599
	1,696,676	1,612,960

The accompanying notes form an integral part of the financial statements.

LOUISE TREMBLAY
Senior Vice-President, Resources

Approved on behalf of the Board of Directors:

GUYLAINE SAUCIER
Director

ALAIN PARIS
Director

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF OPERATIONS
AND RECONCILIATION TO GOVERNMENT FUNDING
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenue		
Parliamentary operating appropriation (Note 3 (a))	918,229	951,358
Transfer from capital appropriation (Note 3 (a))	45,000	
Other revenue, net (Note 4)	295,142	291,793
	1,258,371	1,243,151
Expense		
Television and radio programming activities	1,141,264	1,212,753
Distribution of television and radio services	152,308	155,560
Corporate management	22,085	28,625
Total expense before downsizing expense and taxes	1,315,657	1,396,938
Net operating loss before downsizing expense and taxes	(57,286)	(153,787)
Downsizing program (Note 5)	205,501	37,274
Parliamentary appropriation for downsizing program (Note 3 (a))	(106,025)	
Net downsizing expense	99,476	37,274
Total expense before taxes	1,415,133	1,434,212
Net operating loss before taxes	(156,762)	(191,061)
Provision for income and large corporations taxes (Note 6)		
Current	21,899	2,656
Deferred	(18,858)	
	3,041	2,656
Net operating loss for the year	(159,803)	(193,717)
Reconciliation to government funding basis		
Deduct: net items not requiring current operating funds (Note 3 (b))	153,018	172,086
Operating fund deficit for the year	(6,785)	(21,631)
Operating fund surplus, beginning of year	356	21,987
Operating fund (deficit) surplus, end of year	(6,429)	356

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance, beginning of year	738,599	756,822
Add (deduct):		
Parliamentary appropriations (Note 3 (a))		
For capital fund	97,415	138,494
For working capital fund	4,000	4,000
Transfer of advances to equity		33,000
Net operating loss for the year	(159,803)	(193,717)
Balance, end of year	680,211	738,599

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Net operating loss for the year	(159,803)	(193,717)
Gain (loss) on disposal of capital assets	(2,611)	1,924
Items not involving cash		
Amortization of capital assets	137,411	123,600
Write down of investment		1,805
Amortization of deferred charge and goodwill	7,418	1,527
Employee termination benefits	(37,409)	(9,496)
Deferred pension contribution	85,382	42,220
Net change in working capital balances excluding cash and short-term investments (Note 12)	85,719	77,888
	116,107	45,751
Financing activities		
Parliamentary appropriations (Note 3 (a))		
For capital fund	97,415	138,494
For working capital fund	4,000	4,000
Proceeds on disposal of capital assets and investment/financing from other organizations	4,560	5,392
Capital lease obligations assumed		2,403
	105,975	150,289
Investing activities		
Acquisition of capital assets	(81,438)	(135,036)
Capital portion of lease payments	(17,836)	(46)
Building and equipment acquired under capital lease		(2,403)
Acquisition of broadcast undertaking		(10,500)
Deferred charges	(394)	(26,022)
Other assets	33	(820)
	(99,635)	(174,827)
Increase in cash and short-term investments	122,447	21,213
Cash and short-term investments, beginning of year	58,608	37,395
Cash and short-term investments, end of year	181,055	58,608

The accompanying notes form an integral part of the financial statements.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996

1. Authority and objective

The Canadian Broadcasting Corporation was first established by the 1936 *Canadian Broadcasting Act* and continued by the 1958, 1968 and 1991 *Broadcasting Acts*. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

As the national public broadcaster, the Canadian Broadcasting Corporation provides radio and television services in both official languages incorporating predominantly and distinctively Canadian programs to reflect Canada and its regions to national and regional audiences.

2. Significant accounting policies

(a) Basis of presentation

The financial statements include the accounts of the Corporation and its proportionate share of the assets, liabilities, revenues and expenses relating to joint venture activities.

(b) Parliamentary appropriations

The Corporation is mainly financed by the Government of Canada. Parliamentary appropriations are provided for operating expenditures and are recorded as income. Parliamentary appropriations for capital and working capital funds are credited to Proprietor's Equity Account.

(c) Programs completed and in process of production, or available for sale

Programs completed and in process of production, or available for sale are stated at cost. Cost includes the cost of materials and services, and the share of labour and overhead expenses applicable to programs.

Program costs are charged to operations as the programs are broadcast or deemed unusable, or are sold.

(d) Film and script rights

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The film rights are charged to operations as the films are broadcast or deemed unusable.

(e) Short-term investments

Short-term investments which include bank deposits, notes and treasury bills are valued at cost which approximates market value.

(f) Capital assets

Capital assets are recorded at cost. The cost of assets constructed by the Corporation includes material, engineering services, direct labour and related overhead. Assets recorded as capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease. Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets as follows:

—Buildings	33 years
—Technical equipment	
Transmitters and towers	20 years
Other	10 years
—Furnishings and office equipment	10 years
—Computers	5 years
—Automotive	5 years

Leasehold improvements are capitalized and amortized over the remaining term of the respective leases to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate capital asset classification upon completion, and are then amortized according to the Corporation's policy.

(g) Deferred charges and goodwill

Deferred costs incurred in the development of specialty channels and goodwill arising from the acquisition of broadcast undertakings are amortized over seven years based on a normal license period. Deferred costs incurred by joint ventures are amortized over a period of five years. Other costs are amortized over the period of the respective agreements.

Goodwill resulting from the purchase of a broadcast undertaking is stated at cost. When the goodwill declines below its carrying value, and the decline is considered to be permanent, it is written down as a charge against income.

(h) Pension cost and obligation

The Corporation provides pensions based on length of service and final average earnings as classified under defined benefit retirement pension arrangements.

The cost of pension benefits earned by employees is determined using the projected benefit method of actuarial valuation with projected salary increases where appropriate, pro-rated on services and charged to operations as services are rendered. This cost reflects management's best estimate of the pension fund's expected investment yields, and of salary escalations, mortality of members, terminations and ages at which members will retire. The surplus on the introduction of this accounting policy, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service life of the employee group.

The difference between the accumulated pension expense and the employer's contributions to the Pension Fund is reflected in the balance sheet as a long-term deferred charge or deferred pension liability as the case may be.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Continued*

(i) Other post-employment benefits

In addition to pension benefits, the Corporation provides life insurance benefits to its retired employees. The costs related to this benefit are expensed as incurred by the Corporation during the post-retirement period.

(j) Employee termination benefits and vacation pay

Employee termination benefits and vacation pay are expensed as benefits accrue to employees under their respective terms of employment.

Termination benefits are calculated on an actuarial basis taking into account the future expected payments, the probabilities of payment and discount to the valuation date. The present value of the projected cost is recorded as a liability.

Vacation pay is valued at cost calculated at salary levels in effect at the end of the year for all unused vacation pay benefits accruing to employees.

3. Parliamentary appropriations

(a) Parliamentary appropriations approved and the payments received by the Corporation during the year are as follows:

	1996	1995
	(in thousands of dollars)	
Appropriations for:		
Operating Fund		
—Annual Operating Fund	918,229	951,358
—Transfer from Capital Fund	45,000	
	963,229	951,358
Funding for downsizing program[1]	106,025	
Capital Fund	142,415	138,494
—Less: transfer to Operating Fund	45,000	
	97,415	138,494
Working capital	4,000	4,000
Transfer of government advances to equity		33,000

[1] Of this amount, a total of $50 million was received in the form of repayable advance which will be recovered from future appropriations, with interest, starting in 1998-99 on an annual basis until 2009-10.

(b) The Corporation receives a significant portion of its funding through parliamentary appropriation and therefore manages its operations on a government funding basis. The actual expenditures requiring current operating funds are the essential measure of the Corporation's financial operating requirements for the year.

The following summarizes the reconciling items not requiring or generating current operating funds.

	1996	1995
	(in thousands of dollars)	
Amortization of capital assets	137,411	123,600
Goodwill and other	5,108	1,346
Capital related items	(2,611)	1,924
Interest expense on capital lease	14,193	15,577
Write-down of investment		1,805
Employee termination benefits and vacation pay	(53,951)	(13,124)
Income taxes	(18,837)	22
Deferred pension contribution	85,382	42,220
Program inventory costs	1,900	16,061
	168,595	189,431
Deduct net items not included in the statement of operations require current operating funds	15,577	17,345
	153,018	172,086

Of the above, $6.3 million (1995—$7.3 million) relates to items not requiring current operating funds included in other net revenue, $129.0 million (1995—$183.8 million) relates to items not requiring current operating funds before downsizing expense and taxes, and $36.5 million (1995—$19.1 million credit) relates to downsizing programs.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Continued*

4. Other revenue, net

These consist of the following items:

	1996			1995		
	Revenue	Expense	Net	Revenue	Expense	Net
	(in thousands of dollars)					
Advertising	305,508	44,041	261,467	296,774	41,764	255,010
Specialty services—						
CBC Newsworld	51,173	51,814	(641)	52,676	53,117	(441)
Réseau de l'information (RDI)	27,500	27,908	(408)	6,323	5,903	420
Program sales	13,598	12,043	1,555	12,016	8,864	3,152
RCI	10,080	16,448	(6,368)	16,357	18,367	(2,010)
Miscellaneous	56,321	16,784	39,537	42,297	6,635	35,662
Total	464,180	169,038	295,142	426,443	134,650	291,793

Specialty services—CBC Newsworld and RDI

The Corporation operates CBC Newsworld and RDI under license conditions that the operations be reported on an incremental cost/revenue basis. In compliance with the license conditions, the Corporation will report the above results for 1996, and has reported the results for 1995, to the Canadian Radio-Television and Telecommunications Commission.

As at March 31, 1996, the cumulative net operating surpluses carried forward to Fund CBC Newsworld's future years' activities totalled $0.6 million (1995—$1.2 million) and for RDI, twelve thousand dollars (1995—$0.4 million). These activities are an integral part of the operations of the Corporation.

RCI

RCI is operated under agreement with the Minister of Foreign Affairs. In 1994/95 the direct costs for the service were fully recovered by the Corporation. For 1995/96, the Corporation agreed to operate the service while receiving substantially less funding.

5. Downsizing program

During the year, the Corporation accelerated its cost reduction efforts and embarked upon a major downsizing program to address the impact of the budget cuts announced by the Government of Canada.

The downsizing program will result in the departure of employees through incentive programs and lay-offs.

Management's best estimate of the costs associated with the downsizing program is as follows:

	1996	1995
	(in thousands of dollars)	
Employee termination and special benefits	99,350	33,274
Pension expense(2)	94,909	4,000
Outplacements, transfer and removal, other	11,242	
	205,501	37,274
Reconciliation to government funding basis		
Add: unfunded expenses recorded annually as part of normal operations, in previous years(1)	57,547	23,051
Less: pension expense(2)	(94,909)	(4,000)
Expenses on a government funding basis	168,139	56,325

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Continued*

Other downsizing costs which could not be reasonably estimated will be recorded as incurred. In its March 1996 budget, the Government of Canada announced a further reduction of $29.4 million to the Corporation's budget beginning in 1998/99. The downsizing costs related to this additional measure are being assessed and will be expensed in future periods.

The Corporation has requested assistance from the Government of Canada to fund the cost of the downsizing program. Should any funds be received, they will be included in income.

(1) Employee termination benefits and vacation pay expensed annually as benefits accrued to employees under their respective terms of employment.

(2) The pension expense reflects the effect of the major workforce reduction, resulting from the implementation of the downsizing program, on the Corporation's pension costs and obligations.

6. Income and large corporations taxes

The Corporation is a prescribed federal Crown corporation under Part LXXI of the Income Tax Regulations and is subject to the provisions of the *Income Tax Act* (Canada). The Corporation is not subject to provincial income taxes on its own activities.

The Corporation's net provision for tax of $3.0 million (1995—$2.7 million) is the difference between the provision for income and large corporations taxes of $21.9 million and deferred income tax of $18.9 million.

The Corporation has net timing differences resulting from revenue and expense items reported for tax purposes in different periods than for accounting purposes of $161.4 million (1995—$179.6 million), the benefit of which has not been recognized in the financial statements. These timing differences generally result from the accrual of pension and severance pay costs, and capital cost allowance on its long-term capital lease where funding for the lease obligation is provided over several years. Capital cost allowance is not claimed on other capital assets as the related capital funding is usually received in full in the same year in which the asset is acquired.

7. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	35,941		35,941	36,131
Buildings	345,390	176,974	168,416	164,920
Technical equipment	1,053,283	591,035	462,248	481,063
Furnishings, office equipment and computers	71,775	38,969	32,806	35,788
Automotive	27,879	16,800	11,079	12,219
Leasehold improvements	7,068	4,944	2,124	851
Property under capital leases	510,999	45,984	465,015	482,341
Uncompleted capital projects	41,427		41,427	66,176
	2,093,762	874,706	1,219,056	1,279,489

8. Deferred charges and goodwill

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Deferred charges				
CBC Newsworld	6,490	6,193	297	1,007
Réseau de l'information	5,243	572	4,671	4,849
Joint venture activities	2,839	620	2,219	2,664
Other agreements	18,509	4,291	14,218	18,509
Goodwill	9,799	2,217	7,582	8,982
	42,880	13,893	28,987	36,011

9. Business venture activities

The Corporation has net equity of $6.1 million (1995—$7.4 million) in joint business ventures which are accounted for on a proportionate consolidation basis.

10. Deferred pension liability

Projections from an actuarial valuation prepared for accounting purposes show an estimated present value of accrued pension benefits of $2,500.4 million as at March 31, 1996 (1995—$2,357.5 million) which includes $9.0 million (1995—$11.0 million) of unfunded retirement benefits. The market value of the pension fund assets as at March 31, 1996 was $2,562.4 million (1995—$2,421.7 million).

The deferred pension liability as at March 31, 1996 amounting to $155.3 million (1995—$69.9 million) is the difference between the accumulated pension expense and the employer's contributions to the Pension Fund. This increase is due mainly to the immediate recognition in the pension expense of the impact of the downsizing program which does not require an immediate additional contribution to the Pension Fund (see Note 5).

CANADIAN BROADCASTING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Concluded*

11. Obligation under capital leases

(a) Broadcasting Centre, Toronto

Future minimum lease payments and the obligation under the Broadcasting Centre Lease are as follows:

	(in thousands of dollars)
1997	35,601
1998	37,541
1999	40,316
2000	43,699
2001	46,502
Thereafter (*)	1,045,457
Total minimum future payments (*)	1,249,116
Deduct: imputed interest	851,573
Present value of minimum capital lease obligation	397,543
Accrued interest obligation	14,193
Obligation under capital lease	411,736

(*) Consistent with its intention, management has estimated the total amounts payable under the capital lease based on interest rates considered probable for such financing amortized over a 30 year period.

(b) Other

As at March 31, the Corporation's obligation related to a capital lease, other than the Broadcasting Centre in Toronto, amounted to $129 thousand dollars.

12. Net change in non-cash working capital balances

	1996	1995
	(in thousands of dollars)	
Cash provided by (used for):		
Accounts receivable	(5,228)	(16,017)
Programs completed and in process of production	(884)	24,594
Prepaid film and script rights and other expenses	(3,789)	19,961
Deferred income tax	(18,858)	
Accounts payable and accrued liabilities	15,183	24,087
Short-term portion of capital leases	2	(36)
Accrued vacation pay	(16,542)	(3,628)
Employee termination benefits	117,219	30,695
Accrued interest obligation	(1,384)	(1,768)
	85,719	77,888

13. Commitments

(a) Program related

As at March 31, 1996, commitments for sports rights amounted to $196.2 million; procured programs, film rights and co-productions amounted to $72.9 million for total commitments of $269.1 million.

(b) Operating leases

Future annual payments related to operating leases are as follows:

	(in thousands of dollars)
1997	35,198
1998	33,033
1999	30,123
2000	25,528
2001	1,422
2002-2062	4,730
Total future payments	130,034

(c) Joint venture activities

The Corporation's proportionate share of commitments related to joint venture activities totalled $5.7 million.

14. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the majority of the claims are not significant, and for other claims the amount of losses, if any, cannot be estimated. In the event that such expenditures were incurred, they would be recognized as period costs.

15. Related party transactions

The Corporation is related in terms of common ownership and enters into transactions with other Government departments, agencies and Crown corporations in the normal course of business on normal trade terms applicable to all individuals and enterprises. Transactions with the Government of Canada are outlined in Notes 3 and 4.

16. Economic dependency

The Corporation is dependent upon the provision of appropriations of funds by Parliament. Without these appropriations, the Corporation would be unable to meet the terms of its mandate. (See Note 3 for details of revenue from the government).

17. Comparative figures

Certain of the 1995 comparative figures have been reclassified to conform to the current year's presentation.

CANADIAN COMMERCIAL CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to Corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors and those conducting its internal audits have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.

Robert G. Wright
President

F.O. Kelly
Director, Corporate Services

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 1996 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 6, 1996

CANADIAN COMMERCIAL CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995	LIABILITIES	1996	1995
Cash and short-term deposits (Note 3)	55,863	81,411	Accounts payable and accrued liabilities	124,977	168,920
Accounts receivable (Note 4)	122,806	154,124	Advances from customers	105,331	140,974
Advances to suppliers	70,549	93,947	Progress payments from customers	63,589	54,926
Progress payments to suppliers	63,564	54,816	Provision for additional contract costs (Note 5)	1,294	256
				295,191	365,076
			Employee termination benefits	967	946
				296,158	366,022
			EQUITY OF CANADA		
			Contributed capital	10,000	10,000
			Retained earnings	6,624	8,276
				16,624	18,276
	312,782	384,298		312,782	384,298

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

ROBERT G. WRIGHT
President

ANDRÉ TRÉPANIER
Director

CANADIAN COMMERCIAL CORPORATION—*Continued*

STATEMENT OF OPERATIONS
AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenues		
Contract billings (Note 7)	973,252	877,122
Interest and other income	1,330	2,085
	974,582	879,207
Expenses		
Cost of contract billings (Note 7)	973,252	877,122
Additional contract costs (recovery)	1,075	(245)
Administrative expenses	13,730	14,228
	988,057	891,105
Net results of operations before parliamentary appropriation	13,475	11,898
Parliamentary appropriation	11,823	13,168
Net results of operations after parliamentary appropriation	1,652	(1,270)
Retained earnings at beginning of year	8,276	7,006
Retained earnings at end of year	6,624	8,276

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Financing activities		
Parliamentary appropriation	11,823	13,168
Operating activities		
Net results of operations before parliamentary appropriations	(13,475)	(11,898)
Net changes in non-cash balance sheet items:		
Operating balances from foreign customers and to Canadian suppliers	(11,566)	5,769
Advances and progress payments from foreign customers and to Canadian suppliers	(12,330)	(19,795)
Cash used in operating activities	(37,371)	(25,924)
Decrease in cash and short-term deposits	(25,548)	(12,756)
Cash and short-term deposits at beginning of year	81,411	94,167
Cash and short-term deposits at end of year	55,863	81,411

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF
MARCH 31, 1996

1. Nature, organization and funding

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada. Contracts are made with foreign governments and international organizations and corresponding supply contracts are entered into with Canadian firms by the Corporation (see Note 6).

The Government has provided the Corporation with $10 million as contributed capital. The Corporation also has authority to draw loans from the Consolidated Revenue Fund in amounts up to a total of $10 million as required to supplement its working capital. Annually, the Corporation seeks funding for its operations through parliamentary appropriation.

The Corporation is not subject to the provisions of the *Income Tax Act*.

CANADIAN COMMERCIAL CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS OF
MARCH 31, 1996—*Continued*

2. Significant accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation uses the percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress payments made to suppliers as an asset and the progress payments received from customers as a liability. The related progress payments are reduced when deliveries are accepted by the customer.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur. Exchange gains and losses arising from translation of foreign currencies are included in other income.

Contracts with foreign customers and corresponding contracts with Canadian suppliers are generally entered into in the same currency. Alternatively, where the contracts are not in the same currency, the foreign currency risk is passed onto the supplier.

The Corporation maintains some working capital in other currencies to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee termination benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Cash and short-term deposits

As at March 31, 1996, cash and short-term deposits include advances received from customers and held in trust in the amount of $29,032,000 (1995—$40,563,000). Interest earned on these deposits is credited to the customer.

The cash and short-term deposits also include notes receivable of $4,146,000 (1995—$4,227,000) that matured, but have not been repaid due to the financial difficulties encountered by the issuer. These notes receivable are collateralized by a first mortgage and an assignment of rental income. The Corporation maintains a valuation allowance of $1,650,000 (1995—$1,400,000) and applied payments received in the year of $81,000 (1995—$81,000) to reduce the recorded amount of the notes. Interest has not been accrued on these notes as its ultimate collection is not reasonably assured. The Corporation has a legal claim to interest of $1,040,000 (1995—$720,000), which has not been recorded in its accounts.

4. Accounts receivable

As at March 31, 1996 the Corporation has accounts receivable from foreign governments of $121,806,000 (1995—$153,561,000), net of a provision of $1,616,000 (1995—$1,570,000) to cover the possible non-collection of certain accounts.

5. Provision for additional contract costs

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of $1,294,000 as of March 31, 1996 (1995—$256,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

6. Contractual obligations

The Corporation is obligated to fulfil numerous contracts with foreign customers. The total contract value remaining to be fulfilled approximates $1.6 billion as at March 31, 1996 (1995—$1.7 billion).

7. Segmented information

The Corporation facilitates the sale of Canadian goods to foreign governments, international agencies and other markets throughout the world. Contract billings were distributed as follows:

	Years ended March 31	
	1996	1995
	(in thousands of dollars)	
US Government and markets	578,809	605,092
Other Foreign Governments and markets	364,443	247,131
United Nations Agencies	30,000	24,899
	973,252	877,122

CANADIAN COMMERCIAL CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS OF MARCH 31, 1996—*Concluded*

8. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management services to the Corporation at predetermined negotiated rates based on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 1996, the cost of these services amounted to $4,186,000 (1995—$5,099,000) and are included in the administrative expenses.

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 1996, the cost of legal fees and expenses for specific actions amounted to $701,000 (1995—$1,099,000), and are included in the administrative expenses. As a result of all related party transactions, the amounts due from and to these parties are $528,000 (1995—$165,000) and $1,399,000 (1995—$408,000), and are included in the accounts receivable and accounts payable respectively.

In addition, government departments provided the Corporation with certain administrative services without charge. The cost of these services is not recorded in the Corporation's accounts.

9. Insurance

While the Corporation follows the practice of self-insuring, specific insurance is carried relating to fraud, computer hardware and software, travel accident and medical.

10. Commitments

In March 1995, the Corporation entered into a ten-year lease agreement for office space effective October 1, 1995. The minimum annual payments for the duration of the lease will approximate $775,000.

CANADIAN DAIRY COMMISSION

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1996
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN DAIRY COMMISSION—*Continued*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Dairy Commission and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements provided.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to Commission policies and statutory requirements. The process includes management's annual communication to employees of Treasury Board's guidelines on conflict of interest and code of conduct.

The Audit Committee of the Canadian Dairy Commission, made up of the Commissioners, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Commission's internal and external auditors have free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The transactions and financial statements of the Commission have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Gilles Prégent,
Chairman

Paul Simard,
Director of Finance

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE AND AGRI-FOOD

I have audited the balance sheet of the Canadian Dairy Commission as at July 31, 1995 and the statement of marketing operations and funding by producer levies and the statement of dairy support program operations and costs funded by the Government of Canada for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at July 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Dairy Commission Act* and the by-laws of the Commission.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 4, 1995

CANADIAN DAIRY COMMISSION—*Continued*

BALANCE SHEET AS AT JULY 31, 1995
(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES	1995	1994
Accounts receivable			Accounts payable and accrued liabilities	49,464	48,328
Trade	259	13,771	Direct support payments payable		
Government of Canada			to producers	27,067	37,030
(Dairy Support Program)	27,180	37,031	Allowance for losses on outstanding		
Producer levies (Note 3)	67,743	56,915	purchase commitments	1,856	2,823
Inventories (Note 5)	94,150	68,712	Loans from Government of Canada		
			(Note 6)	69,334	68,099
				147,721	156,280
			EXCESS OF FUNDING BY PRODUCER LEVIES (Note 7)		
			Excess at end of year	41,611	20,149
	189,332	176,429		189,332	176,429

The accompanying notes and schedule are an integral part of these financial statements.

Approved:

GILLES PRÉGENT
Chairman

LOUIS BALCAEN
Vice-Chairman

PAUL SIMARD
Director of Finance

CANADIAN DAIRY COMMISSION—*Continued*

STATEMENT OF MARKETING OPERATIONS
AND FUNDING BY PRODUCER LEVIES
FOR THE YEAR ENDED JULY 31, 1995
(in thousands of dollars)

	1995	1994
Export sales	138,605	99,339
Cost of goods sold	195,789	149,102
Loss on export sales	57,184	49,763
Domestic sales	76,233	86,633
Cost of goods sold	76,100	84,372
(Margin) on domestic sales	(133)	(2,261)
Total loss on sales	57,051	47,502
Assistance and expenses	104,554	83,130
Total cost of operations	161,605	130,632
Less portion of administration expenses funded by the Government of Canada	2,493	2,645
Net cost of operations funded by producer levies	159,112	127,987
Funding by producer levies (Note 4)	192,374	141,531
Excess of funding of net cost of operations	33,262	13,544
Excess at beginning of year	20,149	37,601
	53,411	51,145
Refunds of previous years' excess	11,800	30,996
Excess at end of year	41,611	20,149

The accompanying notes and schedule are an integral part of these financial statements.

STATEMENT OF DAIRY SUPPORT PROGRAM OPERATIONS
AND COSTS FUNDED BY THE GOVERNMENT OF CANADA
FOR THE YEAR ENDED JULY 31, 1995
(in thousands of dollars)

	1995	1994
Direct support payments to producers of industrial milk and cream	221,821	222,907
Administrative expenses	2,493	2,645
Costs of production and dairy policy studies	361	531
Total costs funded by the Government of Canada	224,675	226,083

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1995

1. The Commission

The Canadian Dairy Commission (the "Commission"), is an agent Crown corporation named in Part I, Schedule III to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. The objectives of the Commission, as established by the *Canadian Dairy Commission Act (CDC Act)*, are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

The Commission administers the dairy support program funded by the Government of Canada, under which it makes direct support payments to producers. In cooperation with the Canadian Milk Supply Management Committee (CMSMC), which it chairs, the Commission undertakes the management and administration of marketing operations funded by producer levies. The results of the Commission's operations in each of these areas are presented in the Statement of Dairy Support Program Operations and Costs Funded by the Government of Canada, and in the Statement of Marketing Operations and Funding by Producer Levies, respectively, in order to distinguish the accountability relationships for them.

The Commission purchases, at Canadian support prices, all butter and skim milk powder tendered to it. While most of the butter purchased by the Commission is later resold in the domestic market, most of the skim milk powder is in excess of domestic needs and is exported. The Commission sells production surplus to domestic requirements in the form of whole milk products, skim milk powder and butter on international markets. Historically, these prices have usually been lower than Canadian support prices. The Commission also pays assistance to processors and exporters to help them in disposing of dairy products directly.

The Commission implemented a number of changes to its programs and policies at the beginning of the 1995-96 dairy year. These changes, developed in conjuntion with the dairy industry were necessary as a result of Canada's commitments under the North American Free Trade Agreement and the World Trade Organization Agreement. Amendments to the *CDC Act* to accommodate these changes received Royal Assent in July 1995.

Effective August 1, 1995 the Commission will administer a new system of special milk classes which will provide milk components to further processors and exporters through processors at competitive prices. These prices will be established at levels according to a mechanism agreed to by CMSMC. This arrangement will significantly reduce the need for the Commission to make assistance payments to processors and exporters of dairy products thereby resulting in a major decrease in the requirement for funding by producer levies for such assistance.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1995—*Continued*

2. Significant accounting policies

Inventories

Inventories are valued at the lower of cost or estimated net realizable value.

Allowance for losses on outstanding purchase commitments

The Commission establishes an allowance for losses on outstanding purchase commitments based on current contracts for export sales.

Refunds of excess (recoveries of deficiency) of funding by producer levies

Refunds or recoveries are recorded in the year declared by the CMSMC.

Foreign currency translation

Substantially all sales in foreign currencies are hedged by forward exchange contracts and are translated into Canadian dollars at the exchange rates provided therein. Sales in foreign currencies that are not hedged are translated into Canadian dollars at the exchange rate in effect on the transaction date.

Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contributions to the plan are limited to matching the employees' contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Commission.

3. Producer levies receivable

The province of British Columbia disagreed with the calculation of the Market Sharing Quota it was allocated under a 1984 amendment to the National Milk Marketing Plan. During the year, the issue was resolved by the CMSMC. It agreed to forgive the over-quota levies receivable from British Columbia related to this dispute pertaining to the 1991-92, 1992-93 and 1993-94 dairy years. The total amount forgiven and written off was $5.9 million.

4. Funding

Government of Canada (Dairy Support Program)

Agriculture and Agri-Food Canada provides funding to the Commission for direct support payments to producers of industrial milk and cream shipments, produced to meet domestic requirements. Such payments are made up to maximum amounts authorized by the regulations. The rate of direct support payments was $1.508 per kilogram of butterfat or $5.43 per hectolitre of milk containing 3.6 kilograms of butterfat (1994—$1.508 or $5.43 respectively).

As result of federal expenditure restraint, effective August 1, 1995 the rate for direct support payments will be reduced by 15% to $1.282 per kilogram of butterfat or $4.62 per hectolitre. This will be followed by a further reduction of 15% in the subsequent year to $1.056 per kilogram of butterfat or $3.80 per hectolitre.

In addition, the Government of Canada has funded $2.5 million (1994—$2.6 million) of the Commission's administrative expenses of $5.2 million (1994—$5.2 million), as well as professional services relating to cost of production and dairy policy studies.

Producer levies

Producers are responsible for the costs of operations not funded by the Government of Canada. These costs are funded through levies agreed to by the CMSMC, charged on fluid milk sales and industrial milk production, collected by the provincial marketing boards and agencies, and remitted to the Commission.

Producer levies are comprised of:

	1995	1994
	(in thousands of dollars)	
In-quota levies	164,137	131,163
Over-quota levies	28,237	10,368
Total	192,374	141,531

Producer levies include $0.7 million (1994—$0.8 million) of interest charged to provincial milk marketing boards and agencies.

Producer levies also include $0.12 (1994—$0.08) per hectolitre of industrial milk to cover the eligible costs associated with actual butter inventories up to normal levels determined by the Commission and a portion of administrative expenses.

Amounts funded through this portion of levies and expenses allocated to it are as follows:

	Eligible costs associated with butter inventory up to normal levels and a portion of administrative expenses	
	1995	1994
	(in thousands of dollars)	
Opening balance	1,183	955
Funding	5,035	3,460
Expenses allocated	(4,488)	(3,232)
Closing balance	1,730	1,183

The closing balance is included in the excess at end of year. The $1.73 million balance will be applied against the future expenses allocated to this portion of levies.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1995—*Concluded*

5. Inventories

	1995	1994
	(in thousands of dollars)	
Cost		
Butter	82,027	45,914
Skim milk powder	28,937	34,380
Other dairy products	110	1,799
	111,074	82,093
Less allowance for writedown		
Butter	10,049	292
Skim milk powder	6,851	12,034
Other dairy products	24	1,055
	16,924	13,381
Net book value	94,150	68,712

In addition, in accordance with the Commission's accounting policies, the allowance for losses on outstanding purchase commitments has been established at $1.9 million (1994—$2.8 million).

6. Loans from Government of Canada

Loans from the Government of Canada, to a maximum of $300 million, are available to finance operations. Individual loans are repayable within one year from the date the loan is made. Principal and accrued interest are repaid when funds are available. The interest rates during the year were in accordance with normal rates established for Crown corporations by the government and varied from 5.1644% to 8.4794% (1994—3.6420% to 6.9629%).

Loan transactions for the year are summarized as follows:

	1995	1994
	(in thousands of dollars)	
Balance at beginning of year	68,099	58,419
Borrowings	274,033	226,197
Payments	(272,798)	(216,517)
Balance at end of year	69,334	68,099
Accrued interest at end of year	536	498

7. Excess (deficiency) of funding by producer levies

Any excess or deficiency in the funding by producer levies of the net cost of operations may be carried forward and applied against future operations or recovered from or refunded to producers as determined by the CMSMC.

The CMSMC, at its meeting of September 27 and 28, 1995, decided that $29.9 million of the excess of funding by producer levies at end of year will be refunded to provincial marketing boards and agencies in proportion to their shares of levy revenues.

8. Representatives' fees

The Commission has used the services of representatives for the sale of dairy products on the export market. Total fees for the year were $3.2 million (1994—$2.3 million) and are included in cost of goods sold.

9. Purchase commitments

As at July 31, 1995, the Commission was committed to purchase butter and skim milk powder produced prior to that date at Canadian support prices and other dairy products produced prior to that date at negotiated contract prices. These commitments amounted to approximately $9.7 million (1994—$7.4 million).

10. Related party transactions

Government departments provided the Commission with certain administrative services without charge. The cost of these services is not recorded in the Commission's accounts.

11. Financial statement presentation

A statement of changes in financial position has not been included because, in the opinion of management, it would not provide any meaningful additional information.

CANADIAN DAIRY COMMISSION—*Concluded*

SCHEDULE OF MARKETING OPERATIONS BY PRODUCT
FOR THE YEAR ENDED JULY 31, 1995
(in thousands of dollars)

	1995					1994				
	Butter	Skim milk powder	Evaporated milk	Other products*	Total	Butter	Skim milk powder	Evaporated milk	Other products*	Total
Export sales	2,685	106,881	15,195	13,844	138,605	3,745	62,167	7,332	26,095	99,339
Cost of goods sold	5,434	146,707	18,873	24,775	195,789	10,107	90,258	9,181	39,556	149,102
Loss on export sales	2,749	39,826	3,678	10,931	57,184	6,362	28,091	1,849	13,461	49,763
Domestic sales	68,845	7,388			76,233	67,862	4,682	14,089 **		86,633
Cost of goods sold	68,888	7,212			76,100	65,638	4,502	14,232		84,372
(Margin) loss on domestic sales	43	(176)			(133)	(2,224)	(180)	143		(2,261)
Total loss on sales	2,792	39,650	3,678	10,931	57,051	4,138	27,911	1,992	13,461	47,502
Assistance and expenses										
Dairy product assistance										
—Export	4,157	953	64	33,912	39,086	3,017	510	52	25,797	29,376
—Domestic	11,833	9,415	553	9,047	30,848	11,035	6,588	5	10,129	27,757
Inventory writedown	10,049	6,851	23	1	16,924	292	12,034		1,055	13,381
Promotion	53	193			246	58	266			324
Carrying charges	3,134	1,342	171	52	4,699	1,898	1,261	553	81	3,793
Provision for (recovery of) doubtful accounts				(234)	(234)				505	505
	29,226	18,754	811	42,778	91,569	16,300	20,659	610	37,567	75,136
Provision for losses on outstanding purchase commitments					1,856					2,823
Forgiveness of over-quota levies (Note 3)					5,883					
Administrative expenses					5,246					5,171
Total assistance and expenses					104,554					83,130
Total cost of operations					161,605					130,632

* Include whole milk powder and cheese
**Plan B re-purchase programs

CANADIAN FILM DEVELOPMENT CORPORATION

MANAGEMENT REPORT

The financial statements of the Canadian Film Development Corporation are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements have been prepared in accordance with generally accepted accounting principles and, where appropriate, include estimates based on the experience and judgement of management. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with the *Financial Administration Act* and its regulations, the *Canadian Film Development Corporation Act* and the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting as stated above. The Board exercises its responsibilities through the Audit Committee, which consists of directors who are not officers of the Corporation. The Audit Committee reviews the quarterly financial statements, as well as the annual financial statements and related reports; the Committee meets with the external auditors annually and, may make recommendations to the Board of Directors with respect to these and/or related matters.

The external auditor, the Auditor General of Canada, conducts and independent examination of the financial statements and reports to the Corporation and to the Minister Designate of Canadian Heritage.

François Macerola
Executive Director

Danny Chalifour
Director of Finance

Montreal, Canada

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Film Development Corporation as at March 31, 1996 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for loans and the related allowance for loan impairment as explained in note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canadian Film Development Corporation Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1996

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996

ASSETS	1996	1995	LIABILITIES	1996	1995
	$	$		$	$
Current			Current		
Loans (Note 3)	11,929,126	2,958,421	Accounts payable	11,324,920	9,306,897
Investments	427,800	1,674,850	Long-term		
Receivable from Canada	24,788,547	34,937,399	Provision for employee termination benefits	690,400	785,000
Accounts receivable	2,337,899	3,382,431	Deferred lease inducements	165,610	193,212
Prepaid expenses	589,919	416,861		856,010	978,212
	40,073,291	43,369,962		12,180,930	10,285,109
Long-term			Commitments (Note 8)		
Loans (Note 3)	4,586,066	1,486,658	Contingencies (Note 10)		
Investments	326,250	765,000			
	4,912,316	2,251,658	EQUITY OF CANADA		
Capital assets (Note 4)	2,798,982	3,423,994	Equity of Canada	35,603,659	38,760,505
	47,784,589	49,045,614		47,784,589	49,045,614

Approved by the Board:

ROBERT DINAN
Chairman

Approved by Management:

FRANÇOIS MACEROLA
Executive Director

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996

	1996			1995
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Assistance expenses (Note 6)				
English production	37,188,696	11,870,548	49,059,244	45,943,731
French production	21,763,495	12,808,981	34,572,476	35,487,794
Distribution and marketing		16,952,094	16,952,094	17,841,461
Development of the industry		5,085,330	5,085,330	6,370,764
	58,952,191	46,716,953	105,669,144	105,643,750
Revenue				
Interest on loans	207,129	136,345	343,474	260,814
Other interest	141,589	232,873	374,462	344,715
	348,718	369,218	717,936	605,529
Cost of operations before administration expenses	58,603,473	46,347,735	104,951,208	105,038,221
Administration expenses (Note 7)			7,162,533	6,946,687
Cost of operations for the year			112,113,741	111,984,908

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Balance at beginning of the year	38,760,505	28,403,413
Parliamentary appropriation for the year	108,956,895	122,342,000
Cost of operations for the year	(112,113,741)	(111,984,908)
Balance at end of the year	35,603,659	38,760,505

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Operating activities		
Cost of operations for the year	(112,113,741)	(111,984,908)
Items not affecting liquidity		
Allowance for loan impairment	294,744	(25,577)
Writte-offs of loans not previously written down	271,000	
Amortization	994,885	1,040,967
Loss on disposal of capital assets	40,695	637
Increase (decrease) in the provision for employee termination benefits	(94,600)	25,000
Decrease in deferred lease inducements	(27,602)	(27,602)
	(110,634,619)	(110,971,483)
Net change in non liquidity items of working capital related to operations	2,889,497	(2,066,341)
	(107,745,122)	(113,037,824)
Investing activities		
Loans	(21,384,569)	(8,280,913)
Reimbursements of loans	8,748,712	8,930,837
Investments	(461,800)	(2,898,990)
Reimbursements of investments	2,147,600	2,384,600
Acquisition of capital assets	(417,830)	(651,699)
Proceeds from disposal of capital assets	7,262	10,042
	(11,360,625)	(506,123)
Financing activities		
Parliamentary appropriation for the year	108,956,895	122,342,000
Receivable from Canada		
Increase (decrease) for the year	(10,148,852)	8,798,053
Balance at beginning of the year	34,937,399	26,139,346
Balance at end of the year	24,788,547	34,937,399

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1996

1. Authority and activities

The Corporation was established in 1967 by the *Canadian Film Development Corporation Act* with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund, established on July 1, 1983, within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984. The Act was amended in June 1994 to grant the Corporation the authority to guarantee loans.

The Corporation is a Crown corporation subject inter alia to the provisions of Part VIII of the *Financial Administration Act* as it read before its repeal in 1984 and as if it continued to be named in Schedule C of the Act.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, its liquidity consists of a receivable from Canada.

(b) Investments

Investments include funds invested in the production of feature films and Canadian programming, in return for a share in the operating revenues, as well as all other forms of industry support, but excluding loans.

Investments in productions accompanied by pre-established obligations to reimburse, guaranteed or not, are shown on the balance sheet at their face value, less an allowance for losses. This allowance for losses is determined by examining each investment individually. The other investments are charged to assistance expenses in the year in which the funds are paid or have become payable.

Returns on investments, other than those recognized on the balance sheet, are credited to expenses as a reduction of assistance expenses made during the year. Any proceeds in excess of the related investment is accounted for as revenues.

(c) Loans and allowance for loan impairment

Loans are shown on the balance sheet at principal amounts including accrued interest receivable, net of allowance for impairment. The allowance is determined by examining each loan individually. The evaluation is based on the receivables taken as security as well as the borrower's financial situation.

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

A loan is considered to be impaired as a result of a deterioration in credit quality to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan agreement. When a loan is considered impaired, the carrying amount of the loan is reduced to its estimated realizable value by discounting the expected cash flows at the effective interest rate inherent in the loan, or if cash flows cannot be reasonably estimated, the fair value of any underlying security, net of expected realization costs, is used. The amount of impairment and any subsequent changes to any underlying security are recorded through the provision for losses as an adjustment to the specific allowance.

For impaired loans measured on the basis of expected future cash flows, the entire change in the estimated realizable amount is reported as a charge or credit for loan impairment.

(d) Interest revenue

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest in accordance with the terms of the original loan agreement ceases.

(e) Other interest revenue

Other interest revenue are recognized on an accrual basis and represent the amounts charged on all amounts due to the Corporation, less an allowance for losses. This allowance for losses is determined by examining each amount individually.

(f) Capital assets

Capital assets are recorded at cost. Amortization is recorded, using the diminishing-balance method, at the annual rate of 20% for the furniture and equipment and for the computer installations. Leasehold improvements are amortized, using the straight-line method, based on the terms of the leases. Software is amortized, using the straight-line method, over a five year period.

(g) Parliamentary appropriation and receivable from Canada

The Corporation is mainly financed by the Parliament of Canada. The parliamentary appropriation comprises an amount for the production of Canadian programming and another amount for the development of a feature film industry. The admissible parliamentary appropriation is credited to the Equity of Canada.

The amount receivable from Canada comprises the unused part of the admissible parliamentary appropriation and the unused cumulative receipts from the feature film fund.

(h) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(i) Pension plan

Admissible employees participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current services and admissible past services are expensed during the year in which payments are made. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Loans and allowance for loan impairment

For the fiscal year 1995-1996, the Corporation has applied the new accounting standard governing impaired loans, section 3025 of the handbook issued by the Canadian Institute of Chartered Accountants. This new standard sets guidelines for identification, measurement and disclosure of impaired loans. The Corporation's previous provisioning practices were sufficient to accomodate the new requirements of the impaired loans recommendations and, accordingly no adjustment to previously recorded amounts were required.

(a) Loans

	1996			1995
	Amount	Allowance	Net amount	Net amount
	$	$	$	$
Loans	16,515,192		16,515,192	3,511,905
Impaired loans	610,003	610,003		933,174
	17,125,195	610,003	16,515,192	4,445,079

(b) Allowance for loan impairment

	1996	1995
	$	$
Balance at beginning of the year	1,200,046	2,736,804
Write-offs	(534,949)	(845,780)
Recoveries	(349,838)	(665,401)
Allowance for loan impairment	294,744	(25,577)
Balance at the end of the year	610,003	1,200,046

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

4. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Computer installations	3,544,607	2,324,920	1,219,687	1,274,503
Software	2,524,077	1,898,633	625,444	990,820
Leasehold improvements	1,271,350	723,851	547,499	657,806
Furniture and equipment	2,064,977	1,658,625	406,352	500,865
	9,405,011	6,606,029	2,798,982	3,423,994

5. Employee departure programs

In order to meet budget reductions, the corporation initiated in 1995-1996, early retirement and departure programs. These programs involve disbursements of $472,895, of which $405,332 represent the current year's expense, the balance having been accumulated in prior years. Decisions regarding future downsizing and additional staff reductions will be made in 1996-97; however, the Corporation estimates that the liability related to these programs could be approximately $1,000,000.

6. Assistance expenses

	1996			1995
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Investments	70,610,372	53,031,724	123,642,096	121,577,550
Returns on investments	(14,620,757)	(12,568,223)	(27,188,980)	(24,868,355)
Allowance for loan impairment	1,744	293,000	294,744	(25,577)
Write-offs of loans not previously written down	271,000		271,000	
Recoveries of loans previously written-off or written down	(349,838)		(349,838)	(665,401)
	55,912,521	40,756,501	96,669,022	96,018,217
Operating expenses (Note 7)	3,039,670	5,960,452	9,000,122	9,625,533
	58,952,191	46,716,953	105,669,144	105,643,750

7. Operating expenses

	1996	1995
	$	$
Salaries and employee benefits	9,108,987	9,631,888
Employee departure programs	405,332	
Rent, taxes, heating and electricity	2,184,869	2,356,933
Office expenses	1,098,757	1,135,611
Professional services	1,032,232	911,767
Amortization	994,885	1,040,967
Travel	627,876	690,505
Telecommunications	286,463	267,765
Advertising and publications	147,796	162,639
Relocation	142,486	189,300
Hospitality	132,972	184,845
	16,162,655	16,572,220
Portion applicable to assistance expenses (Note 6)	9,000,122	9,625,533
Portion applicable to administration expenses	7,162,533	6,946,687

CANADIAN FILM DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

8. Commitments

(a) Projects

As at March 31, 1996, the Corporation:

	French projects	English projects	Total
	$	$	$
is contractually committed to advance funds as loans and investments	9,124,744	9,986,176	19,110,920
has accepted to finance projects that may call for disbursements	11,064,198	2,605,985	13,670,183
	20,188,942	12,592,161	32,781,103

Under a production revenue sharing program, the Corporation has committed funds totalling $4,475,054 as at March 31, 1996, for projects yet to be submitted, under certain conditions.

(b) Leases

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	$
1997	2,267,797
1998	2,227,975
1999	2,204,409
2000	2,057,481
2001	2,080,003
2002-2006	4,805,276
	15,642,941

9. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

10. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of the matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation. In the event that such expenses were to occur, they would be recognized as period costs.

11. Comparative figures

Some of the 1995 comparative figures have been reclassified to conform with the presentation adopted for 1996.

CANADIAN MUSEUM OF CIVILIZATION

MANAGEMENT'S RESPONSABILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles, and the integrity and objectivity of the data in these financial statements are Management's responsibility.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and by-laws of the Corporation.

The Board of Trustees is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, examines the financial statements and reports to the Minister of Canadian Heritage, who is responsible for the Canadian Museum of Civilization.

George F. MacDonald
President & Chief Executive Officer
& Executive Director

J. (Joe) Geurts
Chief Operating Officer

June 10, 1996

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Museum of Civilization as at March 31, 1996, and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements, based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 10, 1996

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995	LIABILITIES	1996	1995
Current			Current		
Cash and short-term investments	13,032	13,108	Accounts payable and accrued liabilities (Note 6)	7,663	9,775
Accounts receivable (Note 3)	1,448	2,488	Deferred revenues (Note 7)	3,229	3,050
Inventories	1,467	1,245		10,892	12,825
Prepaid expenses	180	93	Long-term		
	16,127	16,934	Accrued employee termination benefits	2,167	2,028
Deferred charges		382		13,059	14,853
Restricted cash and investments (Note 4)	3,134	2,637	EQUITY		
Collection (Note 2)	1	1	Equity of Canada (Note 8)	17,575	15,597
Capital assets (Note 5)	11,372	10,496			
	30,634	30,450		30,634	30,450

The accompanying notes form an integral part of the financial statements.

Approved by Management:

GEORGE F. MacDONALD
President and Chief Executive Officer

JOE GEURTS
Chief Operating Officer

Approved by the Board of Trustees:

ADRIENNE CLARKSON
Chairwoman

PIERRE DUFOUR
Trustee

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Expenses		
Personnel costs	24,555	27,652
Professional and special services	7,988	6,758
Repairs and maintenance—Building	3,868	4,080
Exhibit design and fabrication	3,496	4,423
Amortization	2,722	2,460
Furniture and fixtures	1,861	1,688
Utilities	1,700	1,953
Building leases	1,644	1,599
Cost of goods sold	1,205	1,160
Communications	963	774
Transportation	935	968
Marketing and advertising	854	834
Protection services	558	512
Repairs and maintenance—Other	543	569
CINÉPLUS films	198	120
Rentals	157	91
Collection acquisitions	137	371
Other	109	96
	53,493	56,108
Revenue		
CINÉPLUS	1,862	1,982
Boutique sales	1,723	1,556
General admission fees	1,649	1,258
Interest on cash and short-term investments	845	685
Facility rental and food services concession	722	532
Parking	685	618
Donations	476	258
Publications	312	147
Royalties	18	22
Other	975	856
	9,267	7,914
Excess of expenses over revenue before parliamentary appropriation	44,226	48,194

The accompanying notes form an integral part of the financial statements.

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance at beginning of year	15,597	13,713
Excess of expenses over revenue before parliamentary appropriation	(44,226)	(48,194)
Parliamentary appropriation for operations and acquisition of capital assets	46,204	50,078
Balance at end of year	17,575	15,597

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Excess of expenses over revenue before parliamentary appropriation	(44,226)	(48,194)
Items not affecting funds		
Amortization net of disposal of capital assets	2,722	2,422
Employee termination benefits	139	(151)
	(41,365)	(45,923)
Change in non-cash operating assets and liabilities	(1,317)	2,255
Funds used for operating activities	(42,682)	(43,668)
Investing activities		
Acquisition of capital assets	(3,598)	(2,147)
Financing activities		
Parliamentary appropriation	46,204	50,078
Decrease in cash and short-term investments	(76)	4,263
Balance at beginning of year	13,108	8,845
Balance at end of year	13,032	13,108

The accompanying notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Mission and mandate

The Canadian Museum of Civilization was established on July 1, 1990 by the *Museums Act.* The Canadian Museum of Civilization is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act.* The Canadian War Museum is a component of the Canadian Museum of Civilization.

The mission, as stated in the *Museums Act*, is as follows:

"to increase, throughout Canada and internationally, interest in, knowledge and critical understanding of and appreciation and respect for human cultural achievements and human behaviour by establishing, maintaining and developing for research and posterity a collection of objects of historical or cultural interest, with special but not exclusive reference to Canada, and by demonstrating those achievements and behaviour, the knowledge derived from them and the understanding they represent."

In compliance with the *Museums Act*, assets, liabilities and equity belonging to the Canadian Museum of Civilization were transferred, as of July 1, 1990, from the National Museums of Canada to the Canadian Museum of Civilization, at book value.

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

2. Significant accounting policies

(a) Inventories

Inventories, which consist of materials for the boutiques and publications, are valued at the lower of cost and net realizable value.

(b) Collection

The artifact collection forms the largest part of the assets of the Corporation, but it is presented in the balance sheet at a nominal value of $1,000, given the practical difficulties of determining a meaningful value for these assets.

Objects purchased for the collection of the Corporation are recorded as an expense in the year of acquisition. Objects donated to the Corporation are not recorded in the books of accounts.

(c) Capital assets

Capital assets were transferred to the Corporation on July 1, 1990 at the then book value of the National Museums of Canada. The value has been credited to the equity of Canada. Capital assets acquired since July 1, 1990 are valued at cost.

Amortization is calculated on the straight-line method, based on the estimated useful lives of assets:

Leasehold and building improvements	10 years
Office furniture and equipment	8 years
Technical and informatics equipment	5 and 8 years
Motor vehicles	5 years

Since the buildings are not owned by the Corporation, no amortization is taken.

(d) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. The Corporation matches these contributions equally for each employee, for the year in which services are rendered. These contributions are expended during the year in which services are rendered, and represent the total obligation of the Corporation for employee pension plan. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination, as provided for under labour contracts and conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(f) Parliamentary appropriation

The parliamentary appropriation for operating and capital expenditures is credited to the equity of Canada during the fiscal year for which it is approved.

(g) Donations

Cash donations are deferred and recognized as revenue only when corresponding expenses are incurred. Cash donations for a specified purpose are managed in accordance with the donor's wishes whereas unspecified cash donations are used for exhibit development based on the by-laws of the Corporation.

3. Accounts receivable

	1996	1995
	(in thousands of dollars)	
Refundable taxes	822	1,320
Trade accounts	562	525
Appropriation receivable		508
Other	64	135
	1,448	2,488

4. Restricted cash and investments

Restricted cash and investments include cash donations received from individuals and corporate entities, and are managed in accordance with the donor's wishes and the by-laws of the Corporation. Cash donations are invested in accordance with the investment policies of the Corporation.

5. Capital assets

			1996	1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Leasehold and building improvements	13,974	5,393	8,581	6,788
Office furniture and equipment	5,508	4,204	1,304	1,800
Technical equipment	6,870	6,118	752	906
Informatics equipment	5,608	4,898	710	966
Motor vehicles	140	115	25	36
	32,100	20,728	11,372	10,496

6. Accounts payable and accrued liabilities

	1996	1995
	(in thousands of dollars)	
Trade accounts payable	4,812	4,360
Accrued salaries and vacation pay	2,228	3,149
Government departments and agencies	403	2,137
Current portion of accrued employee termination benefits	220	129
	7,663	9,775

CANADIAN MUSEUM OF CIVILIZATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

7. Deferred revenues

Deferred revenues include receipts from operations and cash donations which are related to future period activities. Receipts from operations are recognized when earned and cash donations are recognized when corresponding expenses are incurred.

Changes in the deferred revenues balance are as follows:

	1996	1995
	(in thousands of dollars)	
DONATIONS		
Balance at beginning of year	2,669	2,502
Add amount received in the year	950	425
Less amount recognized as revenue	476	258
Balance at end of year	3,143	2,669
OPERATIONS		
Balance at beginning of year	381	430
Add amount received in the year	86	61
Less amount recognized as revenue	381	110
Balance at end of year	86	381
Total deferred revenues	3,229	3,050

8. Equity of Canada

The equity of Canada represents the book value of assets and liabilities transferred from the former National Museums of Canada as of July 1, 1990 and the net results of operations of the Corporation since that date. However, it does not reflect the value of land and buildings occupied by the Corporation, as these are presently owned by the Government of Canada.

9. Related party transactions

The Corporation receives, without charge, collections management and auditing services from different government departments and agencies. The cost of these services are not reflected in the financial statements.

In addition to those related party transactions, disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

10. Commitments

The Corporation has entered into long-term contracts for informatics and property leases, with a remaining value of $5,632,128.

11. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

CANADIAN MUSEUM OF NATURE

MANAGEMENT'S RESPONSIBILITY OF FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations, and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements were prepared in accordance with generally accepted accounting principles. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

The Board of Trustees is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Finance Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, the Corporation's internal auditors and the Auditor General of Canada to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls, and other relevant financial matters. The Audit and Finance Committee has reviewed the financial statements with the Auditor General of Canada and has submitted its report to the Board of Trustees which has approved the financial statements.

The financial statements have been audited by the Auditor General of Canada. His report offers an independent opinion on the financial statements to the Minister Designate of Canadian Heritage.

Colin Eades
Interim President and
Chief Executive Officer

Peter Ostapchuk, CA
Senior Full Time
Financial Officer

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Museum of Nature as at March 31, 1996 and the statements of operations, equity of Canada and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 13, 1996

CANADIAN MUSEUM OF NATURE—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash and short-term investments (Note 3)	6,554	9,312
Accounts receivable		
Government departments and agencies	552	201
Parliamentary appropriations	1,833	
Others	318	443
Inventories	196	264
Prepaid expenses	341	271
	9,794	10,491
Restricted cash and short-term investments (Notes 4 and 5)	1,799	2,378
Restricted stonework project cash and short-term investments (Note 4)	5,486	2,864
Advances—Aylmer building (Note 6)	1,412	600
Collections (Note 7)	1	1
Capital assets (Note 8)	2,037	2,837
	20,529	19,171

LIABILITIES	1996	1995
Current		
Accounts payable and accrued liabilities		
Others	2,112	2,112
Government departments and agencies (Note 3)	6,616	6,205
Deferred revenues (Note 9)	3,265	2,864
Due to Canada		186
Provision for termination benefits	158	185
	12,151	11,552
Provision for termination benefits	841	1,021
Deferred revenues (Note 9)	1,654	2,183
Endowment fund (Note 5)	250	250
	14,896	15,006
EQUITY OF CANADA	5,633	4,165
	20,529	19,171

The accompanying notes form an integral part of the financial statements.

Approved by the Board of Trustees:

FRANK LING
Chairman of the Board of Trustees

PATTI WRIGHT
Chairman of the Audit and Finance Committee

Approved by Management:

COLIN EADES
Interim President and Chief Executive Officer

PETER OSTAPCHUK, CA
Senior Full Time Financial Officer

CANADIAN MUSEUM OF NATURE—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenue		
Parliamentary operating appropriation (Note 10)	26,261	23,817
Commercial operations (Note 11)	1,066	1,113
Contributions (Note 9)	1,293	162
Educational programmes	376	351
Scientific services	114	56
Interest income	946	311
Other	25	77
	30,081	25,887
Expenses		
Personnel costs	12,390	12,218
Severance costs	1,121	
Professional and special services	2,321	2,529
Information management and systems	1,161	262
Real property leases (Note 14)	2,898	3,759
Victoria Memorial Museum Building operating and maintenance (Note 14)	1,153	1,546
Stonework project costs (Note 14)	2,990	309
Amortization	796	1,306
Materials and supplies	916	906
Communications	710	504
Repairs and maintenance	398	416
Travel	418	504
Rentals of exhibits and equipment	727	553
Exhibit design and fabrication	176	102
Freight and cartage	349	265
Marketing and advertising	396	373
Acquisitions of objects for collections	6	17
Other	32	11
	28,958	25,580
Excess of revenue over expenses	1,123	307
Reconciliation to government funding		
Add: items not requiring current operating funds (Note 17)	603	1,313
Surplus for the year	1,726	1,620

The accompanying notes form an integral part of the financial statements.

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance beginning of year	4,165	2,262
Parliamentary capital appropriation (Note 10)	345	756
Conveyance of land from Canada (Note 14)		840
Excess of revenue over expenses	1,123	307
Balance end of year	5,633	4,165

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Excess of revenue over expenses	1,123	307
Items not involving cash		
Amortization of capital assets	796	1,306
Employee termination benefits	(207)	4
Loss on disposal of capital assets	14	3
Deferred revenues	(2,572)	(2,830)
Net change in non-cash working capital	(1,249)	9,511
	(2,095)	8,301
Financing activities		
Parliamentary capital appropriation (Note 10)	345	756
Conveyance of land from Canada (Note 14)		840
Sale of land (Note 15)	335	
Due to Canada	(186)	(80)
	494	1,516
Investing activities		
Conveyance of land from Canada (Note 14)		(840)
Acquisition of capital assets	(345)	(756)
Advances—Aylmer building (Note 6)	(812)	(600)
	(1,157)	(2,196)
Increase (decrease) in cash and short-term investments	(2,758)	7,621
Cash and short-term investments, beginning of year	9,312	1,691
Cash and short-term investments, end of year	6,554	9,312

The accompanying notes form an integral part of the financial statements.

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996

1. Authority and mission

The CMN was established by the *Museums Act* on July 1st, 1990, and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The Corporation's mission is to increase, throughout Canada and internationally, interest in, knowledge of and appreciation and respect for the natural world by establishing, maintaining, and developing for research and posterity a collection of natural history objects, with special but not exclusive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.

2. Significant accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles and reflect the following policies.

(a) Inventories

Inventories of publications and boutique are valued at the lower of cost or net realizable value.

(b) Capital assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line method based upon the estimated useful life of the assets as follows:

Research equipment	10 years
Technical equipment	10 years
Furnishings and office equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years

Major leasehold improvements are capitalized and amortized over the term of the respective leases to a maximum period of five years.

Land transferred to the Corporation from the Government of Canada has been recorded at fair market value and has been credited to the Equity of Canada.

Material and equipment acquired for the purpose of the design, development and maintenance of exhibits are charged to operations in the year of acquisition.

(c) Collections

The CMN holds and preserves invaluable collections of natural history specimens for the benefit of Canadians, present and future. The collections form the largest part of the assets of the Corporation. The collections are shown as an asset on the balance sheet at a nominal value of $1,000 to ensure that the reader is aware of disclosure issues concerning the description of the collections and the stewardship policies followed by the Museum in Note 7.

Objects purchased for the collections are recorded as an expense in the year of acquisition. Objects donated to the Corporation are not recorded in the books of account.

(d) Pension plan

The Corporation's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are made both by the employees and the Corporation on an equal basis. These contributions represent the total pension obligations of the Corporation and are recognized in the accounts on a current basis.

The Corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees under the respective terms of employment.

The Corporation has established Early Departure Incentive (EDI) and Early Retirement Incentive (ERI) Programs consistent with those offered to the Public Service under Treasury Board Guidelines. The costs of such severance are disclosed in the financial statements, including proportional reimbursements from Treasury Board for severance liabilities accruing before July 1, 1990 disclosed in Note 10.

(f) Services without charge

The Corporation does not record in the financial statements the value of the following services it receives without charge:

— Volunteer and other services donated by individuals and corporate entities and,

— Auditing services from the Office of the Auditor General.

(g) Parliamentary appropriation

Parliamentary appropriation for operating expenses are included as revenue. Parliamentary appropriation to acquire capital assets are credited to Equity of Canada.

(h) Contributions revenue recognition

The Corporation receives donations, gifts and bequests from individuals and corporate entities. These funds are to be used for the purposes for which they were donated.

Restricted cash contributions and interest are recognized as revenue in the year in which the related expenses are incurred.

3. Cash and short-term investments

Cash and short-term investments include an amount of $3.2 million ($5.6 million in 1994-95) relating to the transfer of administration of Crown property and leasehold interests from the Government of Canada to the Corporation for 1994-95. The $3.2 million ($5.6 million in 1994-95) is offset by a corresponding liability for the provision of real property management services retroactive to April 1, 1994 (Note 14).

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Continued*

4. Restricted cash and short-term investments

Restricted cash and short-term investments accounts include contributions received from individuals and corporate entities, by way of bequest, gift or donation and may be specific as to purpose. Restricted cash accounts are managed in accordance with the donor's wishes and are invested in accordance with investment policies of the Corporation.

Restricted cash and short-term investments also include parliamentary appropriation received during the year that is restricted for the VMMB stonework project.

Restricted cash accounts are comprised of:

	1996	1995
	(in thousands of dollars)	
Restricted research cash	300	379
Restricted programming cash	1,184	1,689
Systematic entomology endowment fund (Note 5)	315	310
	1,799	2,378
Stonework project	5,486	2,864
	7,285	5,242

5. Endowment Fund

The Corporation maintains an endowment in the principal amount of $250,000 received from Anne and Henry Howden which included a significant entomological collection. The endowment was established to enable professional studies and research of entomological collections for the Museum.

The principal of the Systematic Entomological Endowment Fund cannot be expended. Accumulated interest earned from the endowment may be expended for specified purposes and the residual balance totalled $65,400 at March 31, 1996 ($60,000 at March 31, 1995), which is included in deferred revenues (Note 9).

In the event that the Corporation decides not to maintain entomological collections, the Systematic Entomology Endowment Fund shall be transferred, along with any entomological collections, to the Royal Ontario Museum.

6. Advances—Aylmer building

The Corporation received approval for the construction of a consolidated facility to house the natural history collection artifacts and specimens and to function as an administrative building for the Museum.

Design and preparation costs arising from the consolidation project incurred by the Museum have been recorded as Advances—Aylmer buiding. Settlement for these advances will be made with the developer upon substantial completion.

7. Collections

The CMN holds and preserves invaluable collections of natural history specimens for the benefit of Canadians, present and future. The collections form the largest part of the assets of the Corporation.

The natural history collections consist of over 8 million specimens, and include exceptional scientific resources. The natural history collections are accessible to all Canadians for research, exhibits, and education.

The collections are divided into four discipline-related groups, being:

— the Earth Sciences collections (minerals, rocks, gems, fossils);

— the Vertebrates collections (mammals, fish, birds, reptiles, amphibians);

— the Invertebrates collections (molluscs, insects, crustaceans, parasites, worms, others), and;

— the Botany collections (algae, vascular plants, mosses, lichens).

The stewardship policies for the natural history collections, including specimen acquisitions, are the responsibility of the Museum's Collections division. These activities are monitored by the Collections advisory and development committees, which set priorities for the care of collections material based upon both classical and innovative collections risk assessment methodologies. The Museum continues to develop new and innovative approaches to collections management and conservation practices through involvement with international affiliations.

8. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Research equipment	1,335	1,297	38	10
Technical equipment	1,418	1,051	367	411
Furnishings and office equipment	961	757	204	224
Computer equipment	2,988	2,478	510	758
Leasehold improvements	1,675	1,262	413	594
Motor vehicles	80	80		
Land (Notes 14 and 15)	505		505	840
	8,962	6,925	2,037	2,837

9. Deferred revenues

Deferred revenues include receipts from operations and contributions of gifts and bequests that have not yet been earned and relate to future period activities. Revenue from contributions are recognized when corresponding expenses are incurred.

Changes in the deferred revenues balance are as follows:

	1996	1995
	(in thousands of dollars)	
Beginning balance	5,047	1,621
Less amount recognized as contributions	(1,293)	(162)
Add amounts received relative to future years	1,165	3,588
Ending balance	4,919	5,047

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Continued*

Deferred revenues are comprised as follows:

	1996	1995
	(in thousands of dollars)	
Short-term		
Deferred revenue—Stonework project	2,465	2,864
Deferred revenue—Collections cabinets	800	
	3,265	2,864
Long-term		
Restricted research cash (Note 4)	300	379
Restricted programming cash (Note 4)	1,184	1,689
Restricted endowment fund interest (Note 5)	65	60
Other deferred revenues	105	55
	1,654	2,183
Total deferred revenues	4,919	5,047

10. Parliamentary appropriations

	1996	1995
	(in thousands of dollars)	
Department of Canadian Heritage	26,477	27,237
Due to Canada—Deemed repayment	186	200
Tresury Board submission—Severance costs	344	
Total recognized	27,007	27,437
Total appropriation has been applied as follows:		
Operating expenses	26,261	23,817
Deferred operating expenses recognized	(2,864)	
	23,397	23,817
Capital acquisitions	345	756
Deferred revenue—Stonework project	2,465	2,864
Deferred revenue—Collections cabinets	800	
Total applied	27,007	27,437

11. Commercial operations

Commercial operations revenue is comprised as follows:

	1996	1995
	(in thousands of dollars)	
Publishing and boutique revenue	435	407
Cost of goods sold	(265)	(296)
Publishing and boutique gross profit	170	111
Publishing royalties	69	179
Admission fees	419	448
Parking	221	242
Rental of facilities	187	133
Total commercial operations revenue	1,066	1,113

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

13. Contingencies

As part of the base lease funding concerning the transfer of custody of facilities from Public Works and Government Services Canada to the Museum, certain occupancy licence costs identified in the custody transfer agreement remain outstanding. The Museum is seeking payment for such costs under the agreement, which will also increase the Museum's parliamentary appropriations accordingly by $233,000 per annum retroactive to April 1, 1995.

The assessment of this claim is not determinable and the outcome is unknown at this time. Consequently, this claim is not recorded in the financial statements. The effect, if any, of the ultimate resolution of this matter will be accounted for in the period when known.

14. Custody transfer of real property

During the fiscal year 1994-95, Treasury Board approved the transfer in perpetuity of the administration of Crown property and leasehold interests from PWGSC to the Corporation. The agreement, which was retroactive to April 1, 1994, provided for funding to support the maintenance and real property cost of all corporate facilities, including provision to undertake a stonework project at the VMMB. The full effect of these transactions have been reflected in the financial statements.

As part of the transfer, the Corporation also received a vacant parcel of land comprising 17.2 hectares in Aylmer, Quebec with a fair market value of $840,000.

15. Capital lease

In accordance with Department of Finance approval, the Corporation signed a project agreement, dated December 15, 1995 with the selected developer, for the construction of the corporate consolidated facility to house the CMN's natural history collections and administrative functions on the Corporation's site in Aylmer, Quebec.

Upon substantial completion of the building, as defined in the agreement to lease between the Corporation and the developer, the Corporation will execute the lease, which has a term of 35 years. The Corporation is committed to pay rent under all circumstances and in the event of termination of the lease, at the Corporation's option or otherwise, pay sufficient rent to repay all interim and permanent financing on the building. However, management intends to completely discharge its obligation under the lease and obtain free title to the building in 35 years from the date when long-term financing was obtained. As part of the project agreement, 6.5 hectares were sold to the developper for $335,000 as security against the project. Title to the land rests with the developer and reverts back to the Corporation after extinguishment of the lease.

CANADIAN MUSEUM OF NATURE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1996—*Concluded*

Substantial completion of the building is planned to be reached on October 1, 1996, at which time the Corporation will take occupancy of the building and record the capital lease obligation.

Future minimum lease payments, by year and in aggregate, under the capital lease commencing August 31, 1996, are projected to be as follows:

	(in thousands of dollars)
1997	1,940
1998	3,500
1999	3,500
2000	3,500
2001	3,500
Thereafter	106,550
Total minimum future payments(*)	122,490
Deduct: imputed interest	(88,206)
Proforma present value of minimum capital lease obligation at August 31, 1996	34,284

(*) Total amounts payable under capital lease are based on the fixed interest rate established at the time of signing the lease, being the 30 year Government of Canada (GOC) rate plus 100 basis points (1%) or 9.88%.

In addition, as a result of delays in the transfer of the parcel of land in Aylmer, Quebec from PWGSC to the Museum regarding the construction of the new facility, the developer incurred substantial construction delay costs in excess of $1.7 million. These costs represent interim construction costs and will need to be settled with the developer upon substantial completion.

16. Contractual commitments

The Corporation has entered into agreements for the provision of services and equipment. The payments under these agreements are approximately as follows:

	1997	1998 and subsequent years
	(in thousands of dollars)	
Aylmer Building	1,940	120,550
Real property lease and maintenance costs	2,048	61
VMMB	931	
Stonework project costs	5,065	
Other commitments	1,853	771
	11,837	121,382

17. Items not requiring current operating funds

Items included in the Statement of operations not requiring current operating funds:

	1996	1995
	(in thousands of dollars)	
Amortization of capital assets	796	1,306
Employee termination benefits	(207)	4
Loss on disposal of capital assets	14	3
Net items not requiring current operating funds	603	1,313

18. Comparative figures

The 1995 comparative figures have been reclassified to conform to the 1996 financial statement presentation.

CANADIAN NATIONAL RAILWAY COMPANY

MANAGEMENT REPORT

The accompanying consolidated financial statements of Canadian National Railway Company and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. These statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements, and that assets are properly accounted for and safeguarded.

The board of directors carries out its responsibility for the financial statements in this report principally through its audit and finance committee, consisting solely of outside directors. The audit and finance committee reviews the Company's annual consolidated financial statements and recommends their approval by the board of directors. Also, the audit and finance committee meets regularly with the Chief, Internal Audit, and with the shareholders' auditors.

These consolidated financial statements have been audited by Raymond, Chabot, Martin, Paré, General Partnership and KPMG Peat Marwick Thorne, whose report is presented below.

Michael J. Sabia
Senior Vice-President and
Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CANADIAN NATIONAL RAILWAY COMPANY

We have audited the consolidated balance sheets of Canadian National Railway Company as at December 31, 1995 and 1994 and the consolidated statements of income, shareholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994, and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1995, in accordance with generally accepted accounting principles.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants

KPMG Peat Marwick Thorne
Chartered Accountants

Montreal, Canada
February 20, 1996

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1995
(in millions of dollars)

ASSETS	1995	1994
Current assets		
Cash and cash equivalents	119	255
Accounts receivable (Note 2)	564	504
Material and supplies	209	254
Other (Note 3)	437	337
	1,329	1,350
Properties (Note 4)	4,650	6,349
Other assets and deferred charges	219	243
Total assets	6,198	7,942

LIABILITIES AND SHAREHOLDER'S EQUITY	1995	1994
Current liabilities		
Accounts payable and accrued charges (Note 6)	901	1,052
Current portion of long-term debt (Note 8)	288	77
Other	414	300
	1,603	1,429
Other liabilities and deferred credits (Note 7)	976	1,142
Long-term debt (Note 8)	1,313	2,443
Auction preferred stock (Note 9)		271
SHAREHOLDER'S EQUITY (Note 10)		
Capital stock	2,012	2,279
Contributed surplus	190	
Retained earnings	104	378
	2,306	2,657
Total liabilities and shareholders' equity	6,198	7,942

See accompanying notes to consolidated financial statements.

On behalf of the Board:

DAVID G.A. McLEAN
Director

PAUL M. TELLIER
Director

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1995
(in millions of dollars)

	1995	1994	1993
Revenues			
Industrial products	850	834	770
Forest products	777	815	750
Grain and grain products	600	778	644
Coal, sulphur, and fertilizers	611	575	580
Intermodal	672	709	647
Automotive	403	394	360
Other items	185	200	205
Total revenues	4,098	4,305	3,956
Operating expenses			
Labour and fringe benefits	1,489	1,644	1,680
Material	328	389	376
Fuel	277	276	255
Depreciation and amortization (Note 16 (c))	231	256	252
Operating taxes	191	192	197
Equipment rental	194	180	156
Net car hire	117	96	85
Purchased services	471	443	382
Casualty and insurance	48	82	86
Other	312	290	285
Special charges (Note 11)	1,453		49
Total operating expenses	5,111	3,848	3,803
Operating (loss) income	(1,013)	457	153
Interest expenses (Note 12)	(198)	(196)	(198)
Other income (Note 13)	102	26	10
Income (loss) from continuing operations before income taxes	(1,109)	287	(35)
Income tax recovery (expense) from continuing operations (Note 14)	18	(24)	(25)
Income (loss) from continuing operations	(1,091)	263	(60)
Discontinued operations (net of applicable income taxes) (Note 15)	6	(18)	(19)
Net (loss) income	(1,085)	245	(79)
Earnings per share (Note 17)			

See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in millions of dollars except share data)

	Issued and outstanding common shares	Capital stock	Contributed surplus	Retaining earnings	Total shareholders' equity
Balances December 31, 1992	5,868,786	2,279		212	2,491
Net loss				(79)	(79)
Balances December 31, 1993	5,868,786	2,279		133	2,412
Net income				245	245
Balances December 31, 1994	5,868,786	2,279		378	2,657
Net loss				(1,085)	(1,085)
Capital reorganization (Note 10 (b))					
Stock split	74,131,213				
Reduction in stated capital		(1,300)	489	811	
Common shares issued	4,945,299	1,033			1,033
Dividend in kind			(248)		(248)
Costs related to sale of shares			(33)		(33)
Other transactions			10		10
Related income tax effect			(28)		(28)
Balances December 31, 1995	84,945,298	2,012	190	104	2,306

See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1995 (in millions of dollars)

	1995	1994	1993
Operating activities			
Income (loss) from continuing operations	(1,091)	263	(60)
Non-cash items in income (loss)			
Depreciation and amortization (Note 16 (c))	234	260	254
Special charges	1,415		49
Gain on disposal of rail subsidiary's operating assets	(39)		
Gain on disposal of joint venture net assets	(5)		
Changes in			
Accounts receivable	(61)	(39)	20
Material and supplies	20	5	29
Accounts payable and accrued charges	(135)	124	119
Other net current assets and liabilities	(55)	(59)	(64)
Payments for workforce reduction	(245)	(118)	(103)
Other	(18)	(94)	(25)
Cash provided from continuing operations	20	342	219
Investing activities			
Additions to properties	(326)	(539)	(442)
Net proceeds from disposal of properties	82	30	63
Net proceeds from disposal of rail subsidiary's operating assets	50		
Net proceeds from disposal of joint venture net assets	10		
Other	(4)	1	4
Cash used by investing activities	(188)	(508)	(375)
Financing activities			
Issuance of long-term debt	3	443	561
Reduction of long-term debt	(814)	(167)	(345)
Issuance (redemption) of auction preferred stock	(271)	271	
Issuance of capital stock (Note 10)	1,033		
Costs related to the sale of shares	(33)		
Cash (used by) provided from financing activities	(82)	547	216
Cash provided from (used by) discontinued operations (Note 15)	114	(50)	24
Net (decrease) increase in cash	(136)	331	84
Cash and cash equivalents (bank indebtedness), beginning of year	255	(76)	(160)
Cash and cash equivalents (bank indebtedness), end of year	119	255	(76)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The *CN Commercialization Act* came into effect on July 13, 1995, authorizing the continuance of the Company under the *Canada Business Corporations Act* (*CBCA*) and the sale of common shares of the Company owned by the Government of Canada. The Company was continued under the *CBCA* on August 24, 1995. On November 28, 1995, the Government of Canada completed the sale of all its shares in the Company to the public, and at that time the Company ceased to be owned by the Government of Canada. Prior to privatization, the Company carried on ordinary business transactions with various entities controlled by its previous shareholder on the same terms and conditions as transactions with unrelated parties.

The Company now operates as a private-sector freight railway with no other significant line of business. The Company's freight revenues are derived from the movement of a balanced and diversified mix of commodities and products predominantly originating in Canada. The Company's network connects to the Chicago gateway through it subsidiary Grand Trunk Corporation in the east and through a haulage agreement linking Chicago to the Company's lines at Duluth.

1. Summary of significant accounting policies

The consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada which differ in certain respects from those in the United States as explained in Note 22. The preparation of financial statements in conformity with generallly accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements.

(a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiaries together with the Company's investments in which it has joint control. These investments are accounted for using the proportionate consolidation method (see Note 23).

(b) Revenues

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with movements not completed are deferred.

(c) Foreign exchange

The Company's foreign operations are classified as integrated and are translated and accounted for on the following basis: monetary assets and liabilities are translated at the rates in effect at the balance sheet date, and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates during the year, except for depreciation, which is translated at exchange rates prevailing when the related properties were acquired.

The Company's own foreign denominated assets and liabilities are accorded similar treatment. Revenues and expenses are translated at rates prevailing at the time of the transactions, except for revenues designated as a hedge against repayment of foreign denominated long-term debt, which are translated at the rate in effect at the inception of the debt.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Currency gains and losses are reflected in net income for the year, except for unrealized foreign currency gains and losses on long-term debt. The Company has designated certain future US dollar revenue streams as a hedge against the repayment of most of its long-term debt denominated in US dollars, and has thus deferred reflecting the related unrealized foreign currency translation gains and losses in net income until the earlier of the debt repayment or such time as the hedge ceases to be effective. Such foreign exchange gains or losses will be offset by foreign currency gains or losses resulting from the US dollar revenue stream. Unrealized foreign currency gains and losses related to long-term debt denominated in US dollars not covered by the hedge are deferred and amortized over the remaining life of the debt. Such deferred amounts are included in the Consolidated Balance Sheet as part of Other assets and deferred charges.

(d) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

(e) Material and supplies

The inventory is valued at weighted average cost for ties and rails, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second-hand, obsolete and scrap materials.

(f) Properties

Railway properties are carried at cost less accumulated depreciation, including the asset impairment write-down. Major additions and replacements are capitalized and interest costs are charged to expense. The cost of depreciable assets retired or disposed of, less salvage value, is charged to accumulated depreciation, in accordance with the group plan of depreciation.

(g) Depreciation

The cost of properties is depreciated on a straight-line basis over their estimated useful lives as follows:

Asset class	Annual rate
Ties	2.18% - 3.14%
Rails	1.93% - 2.58%
Other track material	2.40% - 3.32%
Ballast	2.21% - 4.36%
Road locomotives	3.51% - 4.30%
Freight cars	0.63% - 4.22%
Buildings	0.78% - 5.34%

(h) Pensions

Pension costs are determined periodically by independent actuaries. Pension expense is charged annually to operations and comprises the total of:

—the cost of pension benefits provided in exchange for employees' services rendered during the year, and

—the amortization of past service costs over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the accrued benefit actuarial cost method.

(i) Post-retirement benefits other than pensions

The Company accrues the cost of post-retirement benefits other than pensions, which include life insurance programs, medical benefits, supplemental pension allowances, and free rail travel benefits not covered in the Company's principal pension plans. The Company funds the benefits payable as they become due.

(j) Financial instruments

Derivative financial instruments may be used from time to time by the Company in the management of its interest, foreign currency and commodity exposures, and are accounted for on an accrual basis. Income and expense related to financial instruments are recorded in the same category as that generated by the underlying asset or liability.

(k) Environmental expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required to meet the Company's environmental policy, can be reasonably estimated.

2. Accounts receivable

	December 31 1995	1994
	(in millions of dollars)	
Trade	425	357
Other	170	186
	595	543
Provision for doubtful accounts	(31)	(39)
	564	504

3. Other current assets

	December 31 1995	1994
	(in millions of dollars)	
Accrued trade receivables	231	149
Accrued receivables from railways' revenue settlements	131	106
Deferred expenses	9	13
Miscellaneous	66	69
	437	337

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

4. Properties

	December 31, 1995			December 31, 1994		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	(in millions of dollars)					
Track and roadway	6,551	3,298	3,253	6,496	2,296	4,200
Buildings	816	481	335	765	371	394
Rolling stock	1,889	1,077	812	1,947	927	1,020
Other	756	523	233	846	523	323
	10,012	5,379	4,633	10,054	4,117	5,937
Discontinued operations	53	36	17	602	190	412
	10,065	5,415	4,650	10,656	4,307	6,349
Capital leases included in properties	133	42	91	132	37	95

5. Credit facilities

In November 1995, the Company entered into credit agreements providing for committed revolving credit facilities of Cdn $300 million and US $150 million for a two-year term arranged through a syndicate of financial institutions. The facilities provide for various types of loans at varying rates based on certain benchmark rates, including the Canadian Prime Rate, US Base Rate, US Federal Funds Effective Rate and London Interbank Offer Rate, and on the Company's credit rating at the time of drawdrown. As at December 31, 1995, the Company has not drawn-down on the credit facilities.

6. Accounts payable and accrued charges

	December 31	
	1995	1994
	(in millions of dollars)	
Current portion of special workforce reduction provision	209	201
Payroll-related accruals	178	190
Trade payables	171	151
Accrued charges	52	120
Accrued interest on long-term debt	43	70
Other	248	320
	901	1,052

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

7. Other liabilities and deferred credits

	December 31 1995	December 31 1994
	(in millions of dollars)	
Special workforce reduction provision, net of current portion (a)	329	562
Accrual for post-retirement benefits other than pensions (b)	124	119
Personal injury liability	100	117
Environmental liability, net of current portion	81	20
Deferred credits and other	342	324
	976	1,142

(a) Special workforce reduction provision

The special workforce reduction provision, which covers employee terminations in both Canada and the United States, is mainly comprised of severance payments which will be disbursed over a period of up to six years. Other less significant elements of the provision include early retirement incentives, bridging to early retirement, relocations, and foreign exchange. Payments for severance and the other elements of the total provision have reduced the provision to $538 million as at December 31, 1995 ($763 million as at December 31, 1994).

(b) Post-retirement benefits other than pensions

i) The following table shows the reconciliation of the plan's obligations to amounts accrued at the balance sheet dates. The Company uses a December 31 measurement date.

	December 31 1995	December 31 1994
	(in millions of dollars)	
Accumulated post-retirement benefit obligation		
Retirees	65	62
Fully eligible active plan participants	55	50
	120	112
Unrecognized net gain	4	7
	124	119
Weighted-average discount rate	7.50%	7.50%
Weighted-average salary increase	5.25%	5.25%

ii) Components of net periodic post-retirement benefit cost applicable to continuing operations are as follow:

	Year ended December 31 1995	Year ended December 31 1994
	(in millions of dollars)	
Service cost	3	2
Interest cost	6	4
Net amortization and deferral	(4)	(1)
	5	5

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

8. Long-term debt

	Maturity	Currency in which payable	December 31 1995	1994
			(in millions of dollars)	
Bonds, debentures and notes (a)				
Canadian National Series				
6 1/2% 10-year Japanese Yen notes (b)	March 26, 1996	C$	70	70
9 3/8% 10-year notes	October 1, 1996	C$		100
8 1/4% 5-year notes	July 21, 1997	C$		200
7 1/2% 5-year notes	May 19, 1998	C$		150
10% 7-year notes	October 23, 1998	C$		150
9 5/8% 7-year notes	May 14, 1999	C$	50	150
5 3/8% 15-year Swiss Franc bonds (c)	August 22, 2000	C$	99	99
8 7/8% 15-year notes	May 21, 2001	C$	150	150
8 3/8% 25-year sinking fund debentures	July 1, 2002	US$	21	32
6 5/8% 10-year notes	May 15, 2003	US$	190	190
7% 10-year notes	March 15, 2004	US$	412	412
13% 20-year sinking fund debentures	November 15, 2004	C$	71	74
12 1/4% 20-year sinking fund debentures	May 1, 2005	C$	104	108
7 5/8% 30-year debentures	May 15, 2023	US$	190	190
Buffalo and Lake Huron Series				
5 1/2% 1st mortgage bonds	Perpetual	£	1	1
5 1/2% 2nd mortgage bonds	Perpetual	£	1	1
Total bonds, debentures and notes (d)			1,359	2,077
Government of Canada loan (a), (e)				81
Joint ventures				
Bonds				
10 7/8% 1st mortgage bonds series A	January 1, 2007	C$		30
Mortgages (f)		C$	17	62
Other (g)		Various	16	15
Total joint ventures			33	107
Subtotal			1,392	2,265
Other				
Amounts owing under equipment agreements (h)		Various	90	97
Capital lease obligations (i)		Various	92	98
Adjustment to current exchange rate (Note 1 (c))		Various	32	61
Total other			214	256
			1,606	2,521
Less				
Current portion of long-term debt			288	77
Net unamortized discount and other (a)			5	1
			293	78
			1,313	2,443

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(a) In December 1995, the Company commenced its program to redeem, repurchase and defease $1,046 million of long-term debt. As at December 31, 1995, $373 million of long-term debt was redeemed or repurchased and the Company effectively extinguished $401 million of its long-term debt by placing government securities, sufficient to satisfy the interest and maturing principal requirements of the specific debt obligations involved, in irrevocable trusts. The remaining portion, $272 million, is included in the current portion of long-term debt and will be redeemed in 1996. Of that amount, $202 million was redeemed in January 1996 (see Note 20) and $70 million will be repaid in March 1996.

	1995		1996	
	Debt redeemed or re-purchased	Debt defeased	Debt redemption	Total
	(in millions of dollars)			
Canadian National series				
9 3/8%10-year notes	47	53		100
8 1/4% 5-year notes	75	125		200
7 1/2% 5-year notes	61	89		150
10% 7-year notes	56	94		150
9 5/8% 7-year notes	60	40		100
8 3/8% 25-year sinking fund debentures			27	27
13% 20-year sinking fund debentures			71	71
12 1/4% 20-year sinking fund debentures			104	104
6 1/2% 10-year Japanese Yen notes			70	70
Government of Canada loan	71			71
Write-off of premium relating to above debt	3			3
	373	401	272	1,046

(b) The Company borrowed $70 million at an all-inclusive cost of 10 1/4% by means of a Euro-yen public note issue and a currency swap.

(c) The Company borrowed $99 million at an all-inclusive cost of 11.17% by means of a public bond issue in Switzerland and a currency swap.

(d) The Company's bonds, debentures, and notes are unsecured.

(e) The Government of Canada loan, bearing interest at 8 3/4% per annum, as been repaid as at December 31, 1995.

(f) Mortgages of the joint ventures are repayable in Canadian dollars and bear interest at 9.92%.

(g) Loans and notes payable of the joint ventures bear interest at various rates ranging to 10.55% with maturity dates in the years 1997 to 2092.

(h) Secured by rolling stock and payable by semi-annual or quarterly installments over various periods to 2003 at interest rates ranging from 6% to 13 3/4%. The principal amounts are payable as follow: US $24 million and Cdn $57 million as at December 31, 1995, US $28 million and Cdn $60 million as at December 31, 1994.

(i) Interest rates for these leases range from approximately 7% to 17 1/2% with maturity dates in the years 1995 through 2004. The imputed interest on these leases amounted to $39 million as at December 31, 1995, and $49 million as at December 31, 1994.

(j) Principal repayments for the following fiscal years, including sinking fund repayments, repurchase arrangements and capital lease repayments, on debt outstanding at December 31, 1995, are as follows:

Year	Amount (in millions of dollars)
1996	288
1997	19
1998	19
1999	72
2000	140
2001 and thereafter	1,063

(k) The aggregate amount of US debt payable in US currency as at December 31, 1995 is US $646 million (Cdn $881 million) and as at December 31, 1994 is US $661 million (Cdn $927 million).

9. Auction preferred stock

The auction preferred stock of a subsidiary, issued in four series of 500 shares each (Series A, B, C, and D), having a liquidation preference of US $100,000 per share and paying cumulative dividends at a rate based on separate auctions for each series, was redeemed in 1995. Dividends, which were at an average rate for all series of 4.85% during 1995 (3.7% in 1994), are accounted for as interest expense.

10. Shareholder's equity

(a) Authorized capital stock

During 1995, the authorized capital stock of the Company was changed from 5,868,786 common shares with no par value to the following:

—Unlimited number of common shares, without par value,

—Unlimited number of Class A preferred shares, without par value issuable in series,

—Unlimited number of Class B preferred shares, without par value issuable in series.

(b) Capital reorganization

(i) Effective June 1995, the Company's legal stated capital was reduced by an amount of $1,300 million resulting in the elimination of the accumulated deficit of $811 million and the creation of a contributed surplus of $489 million.

(ii) On November 9, 1995, the Company filed Articles of Amendment to change the 5,868,786 common shares issued and outstanding into 79,999,999 common shares, a resultant 13.63-for-one stock split.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(iii) The Company issued for cash:

—1 common share for $900 million immediately prior to the public offering

—3,800,000 common shares for $102 million in conjunction with the public offering, and

—1,145,298 common shares for $31 million as part of its share participation offer to eligible employees.

(iv) Beneficial ownership of a substantial portion of the Company's net non-rail real estate assets, including CN Tower, having a book value of $248 million, was transferred by way of dividend in kind.

(c) Employee share plan

As part of the public offering, eligible employees purchased shares under the employee share plan. The Company provided non-interest bearing loans of up to 90% of the share purchase price to eligible employees. The Company will issue to all employees who participated in the share participation offer, a total of 591,380 common shares (the matched shares) for no additional consideration after a minimum two-year vesting period.

(d) Stock options

The Company has implemented a stock option plan for eligible managers to acquire up to 978,225 common shares at a price of $27 per share, the market value at the date of granting. One-third of the options (the conventional options) will vest over four years and have a term of ten years from the date of granting. Two-thirds of the options (the performance options) vest upon the attainment by the Company of targets relating to the operating ratio. These performance options are scheduled to expire in the year 2001.

11. Special charges

(a) Asset impairment

During the second quarter of 1995, the Company undertook an asset impairment analysis which indicated that the net carrying values of certain of its rail properties were impaired. As a result, on June 30, 1995, the Company recorded a charge to operations and an increase in accumulated depreciation of $1,300 million. The amount of the impairment was established by comparing the future undiscounted net cash flow related to the eastern operations with the carrying amount of the eastern rail properties.

(b) Environmental accrual

During the second quarter of 1995, the Company completed a review of potential environmental costs and liabilities. Based on this review, the Company recorded a charge to operations for future environmental costs of $88 million. The current portion of the provision giving rise to these charges is included in the Consolidated Balance Sheet as part of Other current liabilities and the balance as part of Other liabilities and deferred credits.

(c) Debt reduction costs

During the fourth quarter of 1995, the Company redeemed, repurchased or defeased $774 million of its long-term debt. The charge to operations of the costs to redeem, repurchase or defease such debt amounted to $38 million.

(d) Post-retirement benefits other than pensions

In 1993, a charge of $33 million was made representing an accrual for free passenger rail travel benefits. The current portion of the provision giving rise to these charges is included in the Consolidated Balance Sheet as part of Accounts payable and accrued charges, and the balance as part of Other liabilities and deferred credits.

(e) Other

Other special charges are comprised of a write-down of $16 million for rail property in 1993, and in 1995 a write-down of material and supplies of $14 million and a provision for legal actions in the amount of $13 million.

12. Interest expense

	Year ended December 31		
	1995	1994	1993
	(in millions of dollars)		
Interest on long-term debt	214	212	197
Interest on short-term borrowings	4	1	6
Interest income	(20)	(17)	(5)
Total continuing operations	198	196	198
Cash interest payments for continuing operations	240	212	193

13. Other income

	Year ended December 31		
	1995	1994	1993
	(in millions of dollars)		
Gain on disposal of rail subsidiary's operating assets	39		
Gain on disposal of properties	44	22	23
Net rental income (loss)	1	(2)	(3)
Investment income	18	13	8
Other		(7)	(18)
	102	26	10

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

14. Income taxes

The Company's income tax recovery (expense) from continuing operations is as follows:

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Combined basic Canadian federal and provincial tax rate (combined basic tax rate)	41.9 %	41.7 %	41.7 %
Income tax recovery (expense) from continuing operations based on the combined basic tax rate	465	(120)	14
Recovery (expense) in taxes resulting from			
Federal large corporation tax and other cash taxes	(13)	(12)	(13)
Gain on disposal of properties	6	3	4
Other	(9)	(7)	(4)
Application of prior years' losses not previously recognized		112	
Losses for which a tax benefit has not been recognized	(431)		(26)
Income tax recovery (expense) from continuing operations	18	(24)	(25)
Income tax recovery (expense) is represented by			
Current	(13)	(12)	(13)
Income taxes related to dividend in kind and other	28		
Income taxes related to discontinued operations	3	(12)	(12)
	18	(24)	(25)
Cash payments for income taxes	13	12	13

The Company has timing differences of approximately $1,800 million as at December 31, 1995 ($850 million as at December 31, 1994), for which benefits have not been recognized in the financial statements. These benefits are available to reduce taxable income of future years.

15. Discontinued operations

During the last quarter of 1994, the Company entered into negotiations to dispose of its oil and gas assets in CN Exploration. The results of these operations were reclassified as discontinued operations as at December 31, 1994. During February 1995, the assets were sold for a gain before income taxes of $43 million.

During 1995, the Company disposed of CN Real Estate and CN Tower by transferring beneficial ownership of a substantial portion of the Company's net non-rail real estate assets, by way of dividend in kind (see Note 10) and by selling the remaining assets for a gain before income taxes of $61 million.

In addition, in 1995, the Company undertook a formal plan to dispose of AMF Technotransport Inc.

(a) Income (loss) from discontinued operations

Amounts included in the Consolidated Statement of Income are comprised as follows:

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
AMF Technotransport			
Revenues	131	124	132
Expenses	152	160	158
Operating loss	(21)	(36)	(26)
Income tax recovery	9	15	11
Net loss	(12)	(21)	(15)
CN Exploration			
Revenues		36	35
Expenses		33	37
Operating income (loss)		3	(2)
Interest expense		(4)	(5)
Other income	2	2	3
Income (loss) before income taxes	2	1	(4)
Income tax (expense) recovery	(1)	(1)	1
Net income (loss)	1		(3)
CN Real Estate			
Revenues	42	57	51
Expenses	30	44	42
Operating income	12	13	9
Interest expense	(5)	(6)	(6)
Other loss	(6)	(7)	(8)
Income (loss) before income taxes	1		(5)
Income tax recovery			2
Net income (loss)	1		(3)
CN Tower			
Revenues	24	31	28
Expenses	21	26	24
Operating income	3	5	4
Income tax expense	(1)	(2)	(2)
Net income	2	3	2
Net loss from discontinued operations	(8)	(18)	(19)
Gain on disposal of oil and gas assets, net of income taxes of $18 million	25		
Gain on disposal of real estate assets, net of income taxes of $25 million	36		
Provision for loss on disposal of AMF Technotransport, net of income tax recovery of $33 million	(47)		
	14		
Discontinued operations, net of applicable income taxes	6	(18)	(19)

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(b) Net assets of discontinued operations

Amounts included in the Consolidated Balance Sheet are comprised as follows:

	December 31 1995	1994
	(in millions of dollars)	
Current assets	37	78
Properties	17	412
Other assets and deferred charges		15
Total assets	54	505
Current liabilities	37	76
Other liabilities and deferred credits		22
Long-term debt	1	76
Total liabilities	38	174
Net assets	16	331

(c) Net increase (decrease) in cash

Amounts included in the Consolidated Statement of Changes in Financial Position are comprised as follows:

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Operating activities	21	(11)	44
Investing activities	437	(40)	(22)
Financing activities	(344)	1	2
Cash provided from (used by) discontinued operations	114	(50)	24

16. Segmented information

(a) Geographic areas

Virtually all of the Company's operations and assets are within Canada, with the exception of US rail operations.

(b) International traffic

In addition to the revenue generated by US rail operations, the Company derives revenue from Canadian rail operations originating or terminating on railways in the United States. These revenues amounted to approximately $750 million in 1995, $765 million in 1994, and $709 million in 1993.

(c) Additional information on segments

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Revenues			
Canadian rail	3,569	3,766	3,471
US rail	529	539	485
	4,098	4,305	3,956
Operating income (loss)			
Canadian rail	(822)	459	161
US rail	(191)	(2)	(8)
	(1,013)	457	153
Income (loss) from continuing operations			
Canadian rail	(958)	267	(42)
US rail	(133)	(4)	(18)
	(1,091)	263	(60)
Depreciation and amortization			
Canadian rail [(i)]	221	245	238
US rail	13	15	16
	234	260	254
Capital expenditures [(ii)]			
Canadian rail [(iii)]	288	503	430
US rail	38	36	12
	326	539	442

	December 31 1995	1994
	(in millions of dollars)	
Identifiable assets		
Canadian Rail	5,603	6,619
US rail	541	818
	6,144	7,437
Discontinued operations	54	505
	6,198	7,942

(i) Includes $3 million (1994—$4 million, 1993—$2 million) depreciation and amortization of properties related to net rental income.

(ii) Represents additions to properties.

(iii) Includes $1 million (1994—$11 million, 1993—$26 million) additions of properties related to net rental income.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

17. Earnings (loss) per share

	Year ended December 31 1995	1994	1993
Basic earnings (loss) per share			
Income (loss) from continuing operations	(13.56)	3.29	(0.75)
Net income (loss)	(13.49)	3.06	(0.99)
Basic earnings (loss) per share (excluding special charges)			
Income (loss) from continuing operations	4.50	3.29	(0.14)
Net income (loss)	4.57	3.06	(0.38)
Weighted average number of common shares outstanding (*millions*)	80.40	80.00	80.00

Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year after giving retroactive effect to the stock split of November 9, 1995.

18. Pensions

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age generally based on compensation and length of service and/or contributions.

The actuarial valuations as at December 31, 1994, revealed a consolidated actuarial liability of $7,839 million and a consolidated actuarial asset value of $7,517 million. It is estimated that those amounts could approximate $8,000 million and $7,800 million respectively as at December 31, 1995. Subsequent actuarial valuations will determine the actuarial values at that date.

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Pension costs	96	96	104

The information below relates to the CN Pension Plan, the Company's main pension plan. The Company's other pension plans are not significant.

(a) Description of plan

The CN Pension Plan is a contributory defined benefit pension plan that covers almost all CN employees. It provides for pensions based mainly on years of service and final average pensionable earnings and is generally applicable from the first day of employment. Indexation of pensions is provided after retirement through a gain (loss) sharing mechanism, subject to guaranteed minimum increases. An independent trust company is the Trustee of the Canadian National Railways Pension Trust Fund (CN Pension Trust Fund). As Trustee, the trust company performs certain duties which include holding legal title to the assets of the Fund and ensuring that the Company, as Administrator, complies with the provisions of the Plan and the related legislation.

(b) Funding policy

Employee contributions to this plan are determined by the plan rules. Company contributions are in accordance with the requirements of the Government of Canada legislation, *The Pension Benefits Standards Act*, 1985, and are determined by actuarial valuations conducted at least on a triennial basis. These valuations are made in accordance with legislative requirements and with the recommendations of the Canadian Institute of Actuaries for the valuation of pension plans.

(c) Description of fund assets

The assets of the CN Pension Plan are separately accounted for in the CN Pension Trust Fund. These assets consist of cash and short-term investments, bonds, mortgages, Canadian and foreign equities, real estate, and oil and gas assets.

19. Major commitments and contingencies

(a) Operating leases

The Company's commitments as at December 31, 1995, under operating leases, totalled $1,550 million, with annual net minimum payments in each of the five following fiscal years to 2000 of:

Year	Amount (in millions of dollars)
1996	192
1997	196
1998	186
1999	170
2000	144
2001 and thereafter	662

(b) Other commitments

As at December 31, 1995, the Company had commitments to acquire locomotives and freight cars at an aggregate cost of $191 million, rail at a cost of $36 million, railway ties at a cost of $22 million, and intermodal equipment at a cost of $5 million.

(c) Contingencies

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to injuries, damage to property. While the final outcome with respect to actions outstanding or pending as at December 31, 1995, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's financial position. Two judgments in respect of personal injury claims were rendered against the Company. The magnitude of these judgments was far in excess of any previous judgments rendered against the Company for liability claims. A provision for the possible payment of these claims has been charged to current year's operations.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

On July 20, 1995, the Company was advised by counsel to the National Council of CN Pensioners' Associations Inc. (the "National Council") that the latter intended to commence proceedings against the Company seeking payment of approximately $175 million, plus interest, to the CN Pension Trust Fund in connection with allegedly improper contribution holidays taken in the 1983 and 1984 fiscal periods. Any such payment, if required, would reduce the unfunded liability of the CN Pension Plan. The Company has investigated the claim, as well as the relevant documentation and the current state of relevant law, and believes that it has a reasonable and meritorious defense against the claim. On October 6, 1995, the Company received a draft complaint regarding this claim and a related claim seeking an order requiring that the CN Pension Plan be fully funded. It is the Company's intention to vigorously defend in all competent forums any action which may be commenced by the National Council, or others, in this regard.

(d) Environmental matters

The Company's operations are subject to extensive federal, provincial, state, municipal, and local regulation under environmental laws and regulations concerning, among other things, emissions into the air; discharges into waters; the generation, handling, storage, transportation, treatment and disposal of waste, hazardous substances, and other materials; decommissioning of underground and aboveground storage tanks; and soil and groundwater contamination. A risk of environmental liability is inherent in the railway and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations. As a result, the Company will incur significant compliance and capital costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements in its railway operations and relating to its past and present ownership, operation or control of real property.

The Company's total costs and liabilities for environmental matters cannot be predicted with certainty due to, among other things, the various issues described above, incomplete technical information concerning environmental conditions at many sites, and changing regulatory requirements. The Company recently completed a review of potential environmental costs and liabilities which might be incurred by the Company as a result of the Company's ongoing management of environmental matters or regulatory requirements. This review, which was limited in scope to an analysis of presently available information, which typically did not include any soil or groundwater test results, focused on identifying and estimating potential costs and liabilities that the Company believes are likely to be incurred in the next five years to comply with environmental laws and to contain migration of contamination or, at selected sites, to remediate historical contamination. The review was limited to the five-year period because that is the time frame within which the Company believes it is reasonable to anticipate the incurrence of environmental liabilities and to estimate potential costs based on current information and the current status of legal technical issues relating to the types of clean-up that may be required or performed. Based on this review, the Company increased its accrual for environmental matters by $88 million in the second quarter of 1995 and as at December 31, 1995, the Company had aggregate accruals for environmental costs of $98 million. In addition, whereas the capital expenditures were $5 million for December 31, 1995, $5 million in 1994 and $1 million in 1993, the Company expects to incur capital expenditures relating to environmental matters of approximately $16 million in 1996 and $ 20 million in each of 1997 and 1998. The Company has not included any reduction in costs for anticipated recovery from insurance.

While the Company believes that it has identified the costs likely to be incurred in the next five years for environmental matters, the Company's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

(i) the lack of specific technical information available with respect to many sites;

(ii) the absence of any government authority, third party orders, or claims with respect to particular sites;

(iii) the potential for new or changed laws and regulations and for development of new remediation technologies and uncertainty regarding the timing of the work with respect to particular sites;

(iv) the ability to recover costs from any third parties with respect to particular sites; and,

therefore the likelihood of any such costs being incurred or whether such costs would be material to the Company cannot be determined at this time. Therefore, there can be no assurance that material liabilities or costs related to environmental matters will not be incurred in the future or that the Company's liquidity will not be adversely impacted by such environmental liabilities or costs. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's financial condition or competitive position. Costs related to any future remediation will be accrued in the year in which it becomes known.

20. Subsequent events

(a) Long-term debt

On January 22, 1996, the Company redeemed its 13% and 12 1/4% 20-year sinking fund debentures due on November 15, 2004, and May 1, 2005, for $71 million and $104 million respectively.

In addition, on January 26, 1996, the Company redeemed its 8 3/8% 25-year sinking fund debentures due July 1, 2002, for US $20 million.

The related debt reduction cost amounting to $16 million will be recorded as a special charge in 1996.

(b) AMF Technotransport Inc. (AMF)

On January 19, 1996, the Company reached a tentative agreement with GEC Alsthom Canada (GEC) for the outright sale of AMF to GEC, subject to approval by GEC shareholders. The agreement stipulates that GEC would take possession of AMF upon acceptance by AMF employees of the necessary arrangements that would secure AMF'S viability.

On January 31, 1996, the Company and its union agreed in principle to three agreements covering wages and working conditions, future CN contracts for AMF, and employee deployment and separation incentives that would secure AMF's viability.

21. Financial instruments

The Company has entered into forward exchange contracts (currency swaps) with respect to certain obligations denominated incurrencies other than Can and US dollars in connection with existing indebtedness. These forward exchange contracts act as a hedge to effectively fix the amount of Canadian dollars required over the term of the debt to make all necessary payments in the foreign currency of issue. The Company has not incurred net gains or losses in respect of these transactions and does not currently utilize other derivative financial instruments. Losses due to nonperformance by the counterparties to its foreign currency swaps are not anticipated. Collateral or other security to support financial instruments subject to credit risk is usually not obtained, but the credit standing of counterparties is constantly monitored.

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Balance Sheet under the following indicated captions:

(a) Cash and cash equivalents, trade receivables and trade payables

The carrying amounts approximate fair value because of the short maturity of those instruments.

(b) Other assets and deferred charges

Investments: The Company has various debt and equity investments for which the carrying value approximates the fair value of these investments.

(c) Long-term debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar debt instruments.

The following table presents the carrying amounts and esimated fair values of the Company's financial instruments as at December 31, 1995 and 1994, for which the carrying value is not disclosed on the Consolidated Balance Sheet or for which the carrying amounts are different than the fair values.

	December 31, 1995		December 31, 1994	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in millions of dollars)			
Financial assets				
Investments	60	60	56	56
Financial liabilities				
Long-term debt	1,313	1,380	2,443	2,355

22. Reconciliation of Canadian and United States generally accepted accounting principles

The consolidated financial statements of Canadian National Railway Company are expressed in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles (GAAP), which conform, in all material respects, with those generally accepted in the United States except as described below:

(a) Reconciliation of net income

(i) Foreign exchange

US GAAP requires immediate absorption in income of unrealized foreign currency exchange gains and losses on long-term monetary items with a fixed or ascertainable life whereas Canadian accounting principles require that these unrealized gains and losses be deferred and amortized. In addition, under US GAAP, future revenue streams from operations do not qualify as a hedge of long-term debt denominated in US dollars.

(ii) Pension costs

Canadian GAAP requires that the discount rate used should represent management's best estimate of the long-term rate of return on the pension fund assets. Under US GAAP, the discount rate to be used should reflect the rate at which the pension benefits can be effectively settled at the date of the financial statements.

(iii) Interest

The Company generally expenses interest costs related to the construction of properties. US GAAP requires that this interest cost be capitalized.

(iv) Loss on extinguishment of long-term debt

Under US GAAP, the loss on extinguishment of long-term debt, which is included in special charges for Canadian GAAP purposes, would have been treated as an extraordinary item.

(v) The application of US GAAP would have the following effects on the net income (loss) as reported:

	Year ended December 31		
	1995	1994	1993
	(in millions of dollars)		
Income (loss) from continuing operations —Canadian GAAP	(1,091)	263	(60)
Adjustments (net of applicable income taxes) in respect of			
Foreign exchange	33	(30)	5
Pension costs	(1)	(8)	(10)
Capitalization of interest	5	4	
Loss on extinguishment of long-term debt	38		
Income (loss) from continuing operations, before extraordinary item—US GAAP	(1,016)	229	(65)
Extraordinary item—Loss on extinguishment of long-term debt	(38)		
Income (loss) from continuing operations—US GAAP	(1,054)	229	(65)
Discontinued operations	6	(18)	(19)
Net income (loss)—US GAAP	(1,048)	211	(84)

(b) Earnings (loss) per share

(i) Primary earnings (loss) per share

US GAAP requires the use of the treasury stock method for common stock equivalents to compute the weighted average number of common shares outstanding for the period. The use of the treasury stock method for the matched shares and stock options issued in 1995 would be anti-dilutive and thus these common stock equivalents have not been considered in the loss per share figures as computed under US GAAP.

(ii) Supplementary loss per share

Supplementary loss per share is provided to show the effect on loss per share if debt were repurchased, redeemed or defeased at January 1, 1995. Loss from continuing operations and net loss used to compute supplementary loss per share have been adjusted for a reduction in interest expense.

The computation of supplementary loss per share is based on the weighted average number of shares outstanding assuming the issuance of common stock (for which proceeds were used to redeem debt) took place at January 1, 1995.

(iii) Earnings (loss) per share under US GAAP is as follows:

	Year ended December 31		
	1995	1994	1993
Primary earnings (loss) per share			
Income (loss) from continuing operations, before extraordinary item—US GAAP	(12.64)	2.86	(0.81)
Extraordinary item—Loss on extinguishment of long-term debt	(0.47)		
Income (loss) from continuing operations—US GAAP	(13.11)	2.86	(0.81)
Net income (loss)—US GAAP	(13.03)	2.64	(1.05)
Weighted average number of common shares outstanding (*millions*)	80.40	80.00	80.00

Supplementary loss per share:	
Loss from continuing operations, before extraordinary item—US GAAP	(11.36)
Extraordinary item—Loss on extinguishment of long-term debt	(0.47)
Loss from continuing operations—US GAAP	(11.83)
Net loss—US GAAP	(11.76)
Weighted average number of common shares outstanding (*millions*)	81.50

(iv) Earnings (loss) per share (excluding special charges)

Earnings (loss) per share excluding special charges of $1,453 million in 1995, nil in 1994, and $49 million in 1993 has been disclosed in Note 17. This information would not be presented under US GAAP.

(c) Reconciliation of significant balance sheet items

(i) Employee share purchase loans

Amounts receivable under employee share purchase loans are included in Other current assets for Canadian GAAP purposes. For US GAAP purposes, these amounts would be classified as a deduction from shareholders' equity.

(ii) Long-term debt

Long-term debt denominated in foreign currency subject to currency swap has been recorded for Canadian GAAP purposes at the Canadian dollar equivalent by applying the effective exchange rate of the currency swap to the principal amount outstanding. For US GAAP purposes, foreign denominated long-term debt subject to currency swaps is recorded at the exchange rate prevailing at the balance sheet date. The related currency swap is recorded as an asset using the exchange rate prevailing at the balance sheet date.

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(iii) Shareholders' equity

As permitted under Canadian GAAP, the Company eliminated its accumulated deficit of $881 million as of June 30, 1995, through a reduction of the capital stock in the amount of $1,300 million, and created a contributed surplus of $489 million. Such a reorganization within shareholders' equity is not permitted under US GAAP.

Under Canadian GAAP, the dividend in kind declared in 1995 (with respect to land transfers) and other capital transactions were deducted from contributed surplus. For US GAAP purposes, these amounts would have been deducted from retained earnings.

Under Canadian GAAP, costs related to the sale of shares have been deducted from contributed surplus. For US GAAP purposes, these amounts would have been deducted from capital stock.

(iv) The application of US GAAP would have a significant effect on the following balance sheet items as reported:

	December 31	
	1995	1994
	(in millions of dollars)	
Other current assets—Canadian GAAP	437	337
Currency swap on Japanese Yen notes	62	
Employee share purchase loans receivable	(27)	
Other current assets—US GAAP	472	337
Properties—Canadian GAAP	4,650	6,349
Capitalization of interest	9	4
Capitalization of leases	7	7
Properties—US GAAP	4,666	6,360
Other assets and deferred charges—Canadian GAAP	219	243
Unrealized exchange loss on long-term debt	(32)	(60)
Currency swap on Japanese Yen notes		71
Currency swap on Swiss Franc bonds	102	83
Other assets and deferred charges—US GAAP	289	337
Current portion of long-term debt—Canadian GAAP	288	77
6 1/2% 10-year Japanese Yen notes	62	
Capitalization of leases	1	1
Current portion of long-term debt—US GAAP	351	78

Continued—

Other liabilities and deferred credits—Canadian GAAP	976	1,142
Accrued pension liability	17	12
Other liabilities and deferred credits—US GAAP	993	1,154
Long-term debt—Canadian GAAP	1,313	2,443
6 1/2% 10-year Janapese Yen notes		71
5 3/8% 15-year Swiss Franc bonds	102	83
Capitalization of leases	2	3
Long-term debt—US GAAP	1,417	2,600
Capital stock—Canadian GAAP	2,012	2,279
Capital reorganization	1,300	
Employee share purchase loans receivable	(27)	
Costs related to the sale of shares	(33)	
Capital stock—US GAAP	3,252	2,279
Contributed surplus—Canadian GAAP	190	
Capital reorganization	(489)	
Dividend in kind with respect to land transfers	248	
Costs related to the sale of shares	33	
Other transactions and related income tax effect	18	
Contributed surplus—US GAAP		
Retained earnings—Canadian GAAP	104	378
Capital reorganization	(811)	
Dividend in kind with respect to land transfers	(248)	
Other transactions and related income tax effect	(18)	
Current year adjustments to income	37	(34)
Cumulative effect of prior years' adjustments to income	(73)	(39)
Retained earnings (deficit)—US GAAP	(1,009)	305

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(d) Income taxes

The Company follows the deferral method of accounting for income taxes in accordance with Canadian GAAP, which relates the provision for income taxes to the accounting income for the period. Under the deferral method, the amount by which the tax provision differs from the amount of taxes currently payable is considered to represent the deferring to future periods of benefits obtained or expenditures incurred in the current period and accordingly is computed at current tax rates. The accumulated tax allocation debit or credit balance is not adjusted to reflect subsequent changes in tax rates. In the United States, Financial Accounting Standard 109 (FAS 109) requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under FAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. These different accounting methods have not resulted in a difference to net income under US GAAP.

In the determination of whether the conditions to meet the "more likely than not" standard required by FAS 109 for the recognition of deferred tax assets, the Company considered factors including the absence of a trend of profitability over the past five years and the expiry of significant tax credits over the years. These factors have led the Company to believe that a valuation adjustment is appropriate at this time.

	December 31, 1995		December 31, 1994	
	Deferred tax Assets	Deferred tax Liabilities	Deferred tax Assets	Deferred tax Liabilities
	(in millions of dollars)			
Current				
Special workforce provision —Current portion	88		84	
Loss on disposal of AMF Technotransport Inc.	33			
	121		84	
Non-current				
Loss-carry forwards	344		383	
Special workforce provision	138		235	
Accruals and tax reserves —Net	100		66	
Post-retirement benefits	50		50	
Long-term debt	35		25	
Properties		39		517
Other	22		22	
	689	39	781	517
Total deferred tax asset/ liability before valuation allowance	810	39	865	517
Valuation allowance	(771)		(348)	
Total deferred tax asset/liability	39	39	517	517
Net deferred tax asset (liability)				

CANADIAN NATIONAL RAILWAY COMPANY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(e) Pension costs and obligation

The disclosures required by Statement of Financial Accounting Standard 87, Employers' Accounting for Pensions are as follows:

(i) Components of annual pension costs:

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Service cost for benefits earned in the year	47	49	47
Interest cost on projected obligation	586	584	567
Actual return on plans' assets	(926)	145	(1,554)
Net amortization and deferrals*	390	(674)	1,054
Pension costs—US GAAP	97	104	114

* All experience gains (losses), including those in the 10% corridor, are amortized.

(ii) Funding status

	December 31 1995	1994
	(in millions of dollars)	
Acturial present value of benefit obligation		
Vested	7,228	7,145
Non-vested	192	196
	7,420	7,341
Effect of projected future salary increases	487	562
Projected benefit obligation	7,907	7,903
Pension fund assets at market value	8,293	7,802
Plan assets more (less) than projected benefit obligation	386	(101)
Unamortized portion of net obligation at January 1, 1989 **	166	186
Unamortized prior service cost **	8	9
Unamortized net gain	(577)	(106)
Accrued pension cost—US GAAP	(17)	(12)

**Amortized on a straight line basis over expected average remaining service lives of employees (15 years prior to 1991, 12 years thereafter).

(f) Adjustments to cash flow

Bank indebtedness at the end of 1993 of $76 million would have been reclassified to financing activities with the result that cash and cash equivalents for the end of 1993 would have been nil.

23. Adoption of new accounting policy

Investments in joint ventures

Effective January 1, 1995, the Company adopted retroactively the Canadian Institute of Chartered Accountants' recommendations that interests in joint ventures be recognized in the financial statements of the venturer using the proportionate consolidation method. This method of accounting requires the venturer to combine its pro rata share of each of the assets, liabilities, revenues, and expenses that are subject to joint control on a line-by-line basis with similar items in the venturer's financial statements. The application of this new accounting practice resulted in the restatement of comparative figures, but does not have an effect on the determination of net income.

The following is a summary of the effect of the Company's investments in joint ventures on the consolidated financial statements.

(a) Amounts included in the consolidated statement of income are comprised as follows:

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Revenues	53	39	42
Expenses	(34)	(28)	(32)
Operating income	19	11	10
Other income		2	
Discontinued operations	(1)	2	(1)
Net income	18	15	9

(b) Amounts included in the consolidated balance sheet are comprised as follows:

	December 31 1995	1994
	(in millions of dollars)	
Current assets	26	32
Long-term assets	67	184
Total assets	93	216
Current liabilities	9	50
Long-term liabilities	45	84
Total liabilities	54	134
Equity	39	82
Total liabilities and equity	93	216

CANADIAN NATIONAL RAILWAY COMPANY—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

(c) Amounts included in the consolidated statement of changes in financial position are comprised as follows:

	Year ended December 31 1995	1994	1993
	(in millions of dollars)		
Cash (used by) provided from continuing operations	(3)	15	6
Cash used by investing activities			(7)
Cash (used by) provided from financing activities	(5)	(10)	1
Cash (used by) provided from discontinued operations	(6)	3	1
Net (decrease) increase in cash	(14)	8	1

24. Reclassification of comparative figures

During 1995, changes were made to improve the classification of certain items, and for comparative purposes the 1994 and 1993 figures have been reclassified.

THE CANADIAN WHEAT BOARD

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1996
WERE NOT AVAILABLE AT DATE OF PRINTING

THE CANADIAN WHEAT BOARD—*Continued*

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. The integrity and objectivity of the data in these financial statements are management's responsibility. This responsibility includes exercising judgment in selecting appropriate accounting principles and in ensuring that pool results are derived appropriately and consistently. Management is responsible for ensuring that all information in the annual report is consistent with the financial statements.

Management relies upon the CWB's system of internal controls and formal policies and procedures to ensure the integrity and reliability of accounting and financial reporting. Management continually evaluates policies and procedures to ensure they meet the needs of the CWB and comply with current Canadian accounting standards. An internal audit group independently assesses the effectiveness of internal controls and recommends improvements.

Deloitte and Touche, Chartered Accountants, the CWB's auditors, have performed an independent examination of the financial statements in this report. Their examination was made in accordance with generally accepted auditing standards, and they have performed such tests and other procedures as they considered necessary. Management has made available to the external auditors all financial records and related data. The auditors' opinion on the fairness of the financial statements is included under the auditors' report.

The Canadian Wheat Board, which under the *Canadian Wheat Board Act* consists of not fewer than three, or more than five commissioners appointed by the Governor-in-Council for Canada, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Commissioners, along with the Chairman of the CWB Advisory Committee, act as an Audit Committee in exercising this responsibility. The committee meets with the external auditors to discuss the results of the audit, and the evaluation of the CWB's internal controls. The Internal Audit Department, reporting directly to the Audit Committee, has a mandate to provide timely recommendations and assessments concerning the effectiveness of internal controls. The committee reviews the action taken by management with respect to the recommendations made by the internal and external auditors.

Donald E. Vernon, CA
Executive Director,
Finance and Treasurer

Adrian Measner
Executive Director, Marketing

AUDITORS' REPORT

THE CANADIAN WHEAT BOARD

We have audited the financial statements of the Canadian Wheat Board set out as Exhibits I to VIII and notes thereto which include the balance sheet as at July 31, 1995 and the statements of operations for the 1994-95 pool accounts for wheat, amber durum wheat and barley for the period, August 1, 1994 to completion of operations on August 31, 1995, and for designated barley for the period August 1, 1994 to completion of operations on September 30, 1995, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1995, the statement of advance payments to producers under *Prairie Grain Advance Payments Act* as at July 31, 1995, and the statement of special account transactions for the year ended July 31, 1995. These financial statements are the responsibility of the Canadian Wheat Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 1995 and the results of its operations and the changes in its financial position for the periods shown in accordance with generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

Winnipeg, Canada
January 5, 1996

THE CANADIAN WHEAT BOARD—*Continued*

BALANCE SHEET AS AT JULY 31, 1995
(with prior year figures for comparison)

EXHIBIT I

ASSETS	1995	1994
	$	$
Stocks of grain: (Note 1(a))		
—Wheat	678,661,192	962,889,819
—Durum	379,442,414	310,702,175
—Barley	6,423,461	73,507,657
—Designated barley	32,457,898	40,633,434
	1,096,984,965	1,387,733,085
Accounts receivable—Credit sales (Note 2)		
Due from foreign customers	6,670,686,895	6,869,848,975
Due from the Government of Canada	60,869,060	135,022,157
	6,731,555,955	7,004,871,132
Accounts receivable—Other		
Amounts due on completed sales	69,948,437	93,335,113
Sundry	6,067,583	5,867,500
Prairie Grain Advance Payments Act	63,080,272	303,167,713
	139,096,292	402,370,326
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation	1,005,280	1,105,667
Covered hopper cars, at cost less depreciation (Note 3)	42,256,920	45,241,371
Office furniture and equipment, computer equipment, and automobiles, at cost less depreciation	3,901,240	3,537,796
Deferred and prepaid expenses	28,539,809	13,724,044
	8,043,340,461	8,858,583,421

LIABILITIES	1995	1994
	$	$
Borrowings (Note 4)	6,492,291,399	6,826,621,553
Liability to agents for grain purchased from producers (Note 5)	494,333,230	866,923,224
Liability to agents for deferred cash tickets (Note 6)	157,373,331	83.817,852
Accrued expenses and accounts payable (Note 7)	97,893,311	138.656.183
Outstanding adjustment and final payment cheques to producers:		
—Wheat	152,012,574	258,723,393
—Durum	110,818,965	6,275,053
—Oats	3,021	3,021
—Barley	176,643	157,743
—Designated barley	14,001,596	59,534
	277,012,799	265,218,744
Special account—Net balance of undistributed payment accounts (Note 8)	2,484,872	3,470,850
Provision for final payment expenses (Note 9)	6,053,405	4,371,597
Surpluses resulting from operations:		
Pool account:		
—Wheat	271,863,674	435,908,662
—Durum	207,391,046	150,539,820
—Barley	1,986,006	45,977,481
—Designated barley	34,657,388	37,077,455
	515,898,114	669,503,418
	8,043,340,461	8,858,583,421

LORNE F. HEHN
Chief Commissioner

GORDON P. MACHEJ
Commissioner

RICHARD H. KLASSEN
Commissioner

KEN BESWICK
Commissioner

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1994-95 POOL ACCOUNT—WHEAT
FOR THE PERIOD AUGUST 1, 1994 TO COMPLETION OF OPERATIONS ON AUGUST 31, 1995
(with prior year figures for the 1993-94 Pool account ended September 30, 1994 for comparison)

EXHIBIT II

	1994-95		1993-94	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired:				
Purchased from producers at CWB initial prices basis in store Thunder Bay or Vancouver	14,640,658	2,552,267,073	17,522,229	2,103,169,225
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at CWB initial prices basis in store Thunder Bay or Vancouver	98,009	13,242,094	66,811	6,670,985
Purchased from prior year Pool account—Wheat	2,081,888	348,393,536	3,713,769	551,150,195
	16,820,555	2,913,902,703	21,302,809	2,660,990,405
Wheat sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	1,472,857		1,692,008	
Export	12,262,595		13,212,550	
Weight losses in transit and in drying	2,177		7,274	
	13,737,629	2.602.746.107	14,911,832	2.228.565.225
Wheat Stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	210,550		416,565	
Export	1,147,021		3,892,524	
Sale to the subsequent Pool account—Wheat	1,725,355		2,081,888	
	3,082,926	678,661,192	6,390,977	962,889,819
	16,820,555	3,281,407,299	21,302,809	3,191,455,044
Surplus on Wheat transactions		367,504,596		530,464,639
Operating costs:				
Carrying charges:				
Carrying charges on Wheat stored in country elevators		47,772,308		43,906,781
Storage on Wheat stored in terminal elevators		12,394,015		10,102,608
		60,166,323		54,009,389
Interest and bank charges		(44,189,004)		(49,583,506)
Demurrage/Despatch		4,633,149		23,986,030
Additional freight—Wheat shipped from country stations to terminal position		26,373,670		27,010,961
—Freight rate change		17,806,373		1,986,771
Drying charges		967,387		4,249,486
Interest and depreciation on CWB hopper cars		2,965,914		2,901,288
Administrative and general expenses		26,917,110		29,995,558
		95,640,922		94,555,977
Surplus on operations of the CWB on the Pool account—Wheat, for the period from August 1, 1994 to August 31, 1995 (1993-94 September 30, 1994)		271,863,674		435,908,662

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1994-95 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1994 TO COMPLETION OF OPERATIONS ON AUGUST 31, 1995
(with prior year figures for the 1993-94 Pool account ended September 30, 1994 for comparison) EXHIBIT III

	1994-95		1993-94	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired:				
Purchased from producers at CWB initial prices basis in store Thunder Bay or Vancouver	4,068,116	857,358,360	3,623,117	594,629,738
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at CWB initial prices basis in store Thunder Bay or Vancouver	19,274	3,820,410	12,108	2,086,093
Purchased from prior year Pool account—Durum	883,359	181,662,465	396,186	59,856,060
	4,970,749	1,042,841,235	4,031,411	656,571,891
Durum sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	167,347		154,861	
Export	3,461,596		2,334,228	
Weight losses in transit and in drying	1,616		6,676	
	3,630,559	899,335,973	2,495,765	515,998,400
Durum stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	14,856		27,131	
Export	550,365		625,156	
Sale to the subsequent Pool account—Durum	774,969		883,359	
	1,340,190	379,442,414	1,535,646	310,702,175
	4,970,749	1,278,778,387	4,031,411	826,700,575
Surplus on Amber Durum Wheat transactions		235,937,152		170,128,684
Operating costs:				
Carrying charges:				
Carrying charges on Durum stored in country elevators		11,998,159		9,628,393
Storage on Durum stored in terminal elevators		6,634,318		5,780,006
		18,632,477		15,408,399
Interest and bank charges		(5,646,219)		(5,473,617)
Demurrage/Despatch		552,796		925,872
Additional freight—Durum shipped from country stations to terminal position		1,443,688		1,069,443
—Freight rate change		5,133,718		431,086
Drying charges		134,374		425,514
Interest and depreciation on CWB hopper cars		815,987		599,907
Administrative and general expenses		7,479,285		6,202,260
		28,546,106		19,588,864
Surplus on operations of the CWB on the Pool account—Durum, for the period from August 1, 1994 to August 31, 1995 (1993-94 September 30, 1994)		207,391,046		150,539,820

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1994-95 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1994 TO COMPLETION OF OPERATIONS ON AUGUST 31, 1995
(with prior year figures for the 1993-94 Pool account ended September 30, 1994 for comparison)

EXHIBIT IV

	1994-95		1993-94	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired:				
Purchased from producers at CWB initial prices basis in store Thunder Bay or Vancouver	1,059,665	106,989,933	2,362,477	189,567,305
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at CWB initial prices basis in store Thunder Bay or Vancouver	1,050	110,101	5,125	309,256
Purchased from prior year Pool account—Barley	276,300	31,220,962	677,155	64,385,323
	1,337,015	138,320,996	3,044,757	254,261,884
Barley sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	1,275,723		2,305,867	
Weight losses in transit and in drying	1,508		3,295	
	1,277,231	145,220,286	2,309,162	238,989,043
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31	31,965		459,295	
Sale to the subsequent Pool account—Barley	27,809		276,300	
	59,774	6,423,461	735,595	73,507,657
	1,337,005	151,643,747	3,044,757	312,496,700
Surplus on Barley transactions		13,322,751		58,234,816
Operating costs:				
Carrying charges:				
Carrying charges on Barley stored in country elevators		1,352,257		2,936,647
Storage on Barley stored in terminal elevators		1,599,084		1,151,807
		2,951,341		4,088,454
Interest and bank charges		(4,668,232)		(6,112,557)
Demurrage/Despatch		7,143,566		4,288,454
Additional freight—Barley shipped from country stations to terminal position		4,229,443		3,567,096
—Freight rate change		(1,021,069)		159,211
Drying charges		540,959		1,831,281
Interest and depreciation on CWB hopper cars		212,547		391,173
Administrative and general expenses		1,948,190		4,044,223
		11,336,745		12,257,335
Surplus on operations of the CWB on the Pool account—Barley, for the period from August 1, 1994 to August 31, 1995 (1993-94 September 30, 1994)		1,986,006		45,977,481

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1994-95 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1994 TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1995
(with prior year figures for the 1993-94 Pool account ended October 31, 1994 for comparison)

EXHIBIT V

	1994-95		1993-94	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired:				
Purchased from Producers at CWB initial prices basis in store Thunder Bay or Vancouver	2,260,241	348,417,038	1,727,924	185,900,087
Designated Barley sold:				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	2,104,155	359,685,342	1,425,712	186,612,964
Designated Barley stocks—Being Designated Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver:				
Completed sales for the period subsequent to July 31	156,086	32,457,898	302,212	40,633,434
	2,260,241	392,143,240	1,727,924	227,246,398
Surplus on Designated Barley transactions		43,726,202		41,346,311
Operating costs:				
Interest		(3,259,673)		(2,003,272)
Demurrage/Despatch		371,587		312,539
Interest and depreciation on CWB hopper cars		453,362		286,105
Administrative and general expenses		4,181,065		2,994,447
		1,746,341		1,589,819
Producer contract storage		7,322,473		2,679,037
Surplus on operations of the CWB on the Pool account—Designated Barley, for the period from August 1, 1994 to September 30, 1995 (1993-94 October 31, 1994)		34,657,388		37,077,455

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1995
(with prior year figures for comparison)

EXHIBIT VI

	1994-95	1993-94
	$	$
Administrative and General Expenses:		
Salaries—Board members, officers and staff	21,063,990	20,079,920
Unemployment insurance, pension, group insurance, medical and other employee benefits	4,734,852	4,557,119
Manitoba Health and Education Tax	411,767	443,945
Advisory Committee operating cost and election expenses	362,446	254,312
Rental and lighting of offices, including maintenance of The Canadian Wheat Board Building	2,293,696	1,889,663
Telephones, telex, and facsimile transmissions	748,195	681,836
Postage	928,020	1,091,818
Printing, stationery and supplies	880,154	776,364
Annual report, "Grain Matters", etc.	246,616	200,504
District meetings	43,351	65,037
Management consulting	285,173	415,392
Office and miscellaneous	1,614,738	1,463,314
Travelling and transfer of staff	1,531,209	1,510,228
Education and training	271,837	371,643
Area representatives	277,238	242,460
Legal fees and court costs	114,488	143,115
Consulting/Legal costs—Trade Challenge (Note 12)	621,170	585,629
Audit fees	153,000	150,000
Computing equipment—Rental and sundries	5,176,449	4,145,349
Repair and upkeep of office machines and equipment	91,559	102,090
Grain market publications and services	228,429	194,229
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	1,347,850	1,435,396
Bonds and insurance	42,725	64,254
Depreciation on building, furniture, equipment, and automobiles	553,495	446,616
	44,022,447	41,310,233

	1994-95	1994-95	1993-94
	$	$	$
Allocations to operations:			
1. Marketing of Producers' Grain			
1994-95 Pool account—Wheat	14,601,085		
1994-95 Pool account—Durum	4,057,120		
1994-95 Pool account—Barley	1,056,791		
1994-95 Pool account—Designated Barley	2,254,131		
1993-94 Pool account—Wheat	14,773,722		
1993-94 Pool account—Durum	3,053,691		
1993-94 Pool account—Barley	1,991,179		
1993-94 Pool account—Designated Barley	1,492,842		
		43,280,561	40,752,217
2. Distributing final payments to producers			
(a) Wheat and Durum			
1993-94 Pool account—Wheat	409,410		
1993-94 Pool account—Durum	79,077		
1992-93 Pool account—Wheat	40,596		
1992-93 Pool account—Durum	8,455		
1991-92 Pool account—Wheat	313		
1991-92 Pool account—Durum	65		
1989-90 Pool account—Wheat	317		
1989-90 Pool account—Durum	84		
1988-89 Pool account—Wheat	295		
1988-89 Pool account—Durum	73		
		538,685	392,154
(b) Coarse grains			
1993-94 Pool account—Barley	138,463		
1993-94 Pool account—Designated Barley	49,091		
1992-93 Pool account—Barley	10,455		
1992-93 Pool account—Designated Barley	4,730		
1991-92 Pool account—Barley	80		
1991-92 Pool account—Designated Barley	36		
1990-91 Pool account—Designated Barley	48		
1989-90 Pool account—Barley	118		
1989-90 Pool account—Designated Barley	20		
1988-89 Pool account—Barley	134		
1988-89 Pool account—Designated Barley	26		
		203,201	165,862
		44,022,447	41,310,233

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS
UNDER THE *PRAIRIE GRAIN ADVANCE PAYMENTS ACT*
AS AT JULY 31, 1995

EXHIBIT VII

	Cash advances to producers	Advances repaid by producers	Balance to be refunded by producers
	$	$	$
1984-85 and prior crop years	2,839,051,160	2,835,573,530	3,477,630
1985-86 crop year	340,670,296	339,873,313	796,983
1986-87 crop year	642,511,850	640,977,689	1,534,161
1987-88 crop year	563,607,958	560,844,508	2,763,450
1988-89 crop year	319,522,186	317,084,986	2,437,200
1989-90 crop year *	144,260,874	141,581,673	2,679,201
1990-91 crop year	1,461,790,445	1,451,800,323	9,990,122
1991-92 crop year	1,163,737,749	1,151,320,030	12,417,719
1992-93 crop year	1,081,150,782	1,061,799,525	19,351,257
1993-94 crop year	819,208,984	771,449,722	47,759,262
1994-95 crop year	524,195,993	442,089,225	82,106,768
	9,899,708,277	9,714,394,524	

Balance to be refunded by producers as at July 31, 1995		185,313,753
Add: bank interest to July 31, 1995 payable by the Government of Canada	363,318,141	
Less: amount paid by the Government to July 31, 1995	(362,884,742)	433,399
Add: bank interest to July 31, 1995 payable by producers	16,116,325	
accrued interest producers—Shared	10,781,978	
accrued interest producers—100%	1,685,395	
	28,583,698	
Less: amount paid by producers to July 31, 1995	(30,856,845)	(2,273,147)
		183,474,005
Deduct: balance of funds received:		
Government of Canada—To cover advance payments in default	118,863,693	
line elevator companies—To cover advance payments in default	2,472,354	
line elevator companies—To cover current advances	329,899	
interest received on default payments	21,435,848	
less: interest forwarded to the Government of Canada	(22,708,061)	120,393,733
Owing to The Canadian Wheat Board as at July 31, 1995		63,080,272

(*)Prior to the 1989-90 crop year, the Government of Canada paid all the interest. During the 1989-90 crop year, the producer was required to pay all the interest on the cash advance. During the 1990-91, 1991-92, 1992-93, and 1994-95 crop years, the producer was required to pay interest on the part of the cash advance that was in excess of $50,000. During the 1993-94 crop year, the producer was required to pay interest on the part of the cash advance that was in excess of $60,000, and was required to pay the first 2.25% on advances up to $60,000.

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
FOR THE YEAR ENDED JULY 31, 1995

EXHIBIT VIII

	$
Balance of special account as at July 31, 1994	3,470,850

Expenditures:

Authorized by Order-in-Council No.	Description of purpose	Unexpended as at July 31, 1994	Authorized crop year 1994-95	Unexpended as at July 31, 1995	Expended crop year 1994-95	
		$	$	$	$	
PC 1994-1305						
PC 1995-2202	Market Development	164,275	585,000	445,378	303,897	
PC 1994-1306	Canadian International Grains					
PC 1995-2203	Institute—Capital expenditures	129,788	395,000	169,228	355,560	
PC 1991-2548	Founding chairs program	50,000		25,000	25,000	
PC 1990-1538	Scholarship program	50,812	299,188	48,559	301,441	
		394,875	1,279,188	688,165		985,898
						2,484,952
Less: payments to producers against old payment accounts						80
Balance of special account as at July 31, 1995						2,484,872

As at July 31, 1995 there were unexpended authorizations totalling $688,165 leaving an unallocated balance of $1,796,707 in the account.

THE CANADIAN WHEAT BOARD—*Continued*

NOTES TO FINANCIAL STATEMENTS
The following are an integral part of the financial statements.

1. Accounting policies

(a) Operating results and valuation of stocks of grain

The annual accounts at July 31 include the final operating results of all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the Canadian Wheat Board (CWB) at July 31 include:

(i) the stocks of such grains on hand at that date at the values which were ultimately received; and

(ii) provision for all expenses incurred or to be incurred before the sales proceeds are realized in cash or in accounts receivable due from foreign customers, including a charge for the portion of administrative and general expenses to be incurred subsequent to July 31 but relating to the marketing and accounting for the grains in the various pools before they are closed.

(b) Foreign currency translations

Amounts due in United States funds which are covered by forward exchange contracts are translated at the contract rates. In all other cases, amounts due from foreign customers and borrowings payable in United States funds are translated at the rate of exchange in effect as at the balance sheet date.

Medium term notes issued by the CWB in currencies other than the Canadian or United States dollar are hedged by currency swap agreements and are translated into Canadian or United States dollars at the rates provided therein.

Foreign exchange adjustments arising from conversion of amounts due from foreign customers and borrowings are included in operating results.

(c) Other financial instruments

The CWB enters into grain futures and options contracts, currency and interest rate swaps to reduce market, currency and interest rate risks.

(d) Depreciation

The rates of depreciation being applied are intended to fully depreciate assets over their expected lives and are as follows:

Hopper cars	30 years
Office building	40 years
Office furniture and equipment	10 years
Computer equipment	1 to 5 years (to 1/20 residual value)
Automotive equipment	2 years (to 1/3 residual value)

(e) Administration and general expenses

Administration and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool account operations to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

(f) Retirement and termination benefits

Benefits provided to employees upon retirement or termination are recognized in the accounts as they are earned by the employees. The unaccrued balance of those benefits at July 31, 1993 was $7,980,330 which is being amortized on a straight line basis over ten years commencing with the 1993-94 crop year. The unaccrued balance at July 31, 1995 is $6,384,264 (1994—$7,182,297).

2. Accounts receivable—Credit sales

(a) Due from foreign customers

Of the $6,670,686,895 principal and accrued interest due from foreign customers, $4,609,470,972 (1994—$4,772,085,548) represents the Canadian equivalent of $3,380,616,774 (1994—$3,438,101,980) repayable in United States funds.

The accounts receivable arise from sales of grain to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Mexico, Pakistan, Peru, Poland, Russia, Uzbekistan and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Mexico, Peru, Poland, Russia and Zambia where the CWB, together with the Canadian government, have agreed to reschedule certain receivables beyond their original maturity dates. All the reschedulings are arranged by the Paris Club. The Paris Club is a forum through which the governments of debtor and creditor countries establish mutually agreed terms for the rescheduling and/or reduction of debts owed to the creditor governments and their agencies. Terms of such reschedulings vary calling for payment of interest and the rescheduled debt for periods ranging from five years to twenty five years. As at July 31, 1995, total reschedulings amounted to $5,490,129,585 including $3,405,888,740 which is the Canadian equivalent of $2,497,901,533 receivable in United States funds.

THE CANADIAN WHEAT BOARD—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

During the crop year and in the subsequent period the CWB signed five Paris Club rescheduling agreements with various countries. In addition the CWB has one agreement pending. These agreements reschedule both previously rescheduled and non rescheduled accounts receivable totalling $1,062,220,053 including $1,054,933,446 which is the Canadian equivalent of $773,695,230 receivable in the United States funds. The reschedulings signed and pending are as follows:

Country	Amount US Funds	 Cdn Funds	Total in Cdn Funds (US conv. to CDN)
Total amounts on agreements signed August 1, 1994 to July 31, 1995:			
Algeria	65,304,418		89,042,574
Peru	1,744,829		2,379,074
Russia	459,358,855		626,335,799
Total to July 31	526,408,102		717,757,447
Total amounts on agreements signed after August 1, 1995 or pending:			
Algeria (approx.)	70,600,000		96,263,100
Russia	176,687,128		240,912,899
Haiti (pending)		7,286,607	7,286,607
Total subsequent period	247,287,128	7,286,607	344,462,606
Total rescheduled	773,695,230	7,286,607	1,062,220,053

(b) Due from the Government of Canada

Of the $60,869,060 principal and accrued interest due from the Government of Canada, $29,555,962 (1994—$26,316,360) represents the Canadian equivalent of $21,676,540 (1994—$18,959,913) repayable in United States funds.

In addition to debt relief by means of extending the payment terms, the Government of Canada has in certain cases agreed to provide various levels of debt reduction, through the Paris Club, to customer countries that have rescheduled amounts owing to the CWB. Under the debt reduction arrangements, payment of amounts owing to the CWB is divided on an agreed basis between the debtor country and the Government of Canada. The amount of $60,869,060 reflects the amount due from the Government of Canada as at July 31, 1995 under these debt reduction agreements.

Credit sales are made within limits established by the Government of Canada except as indicated below. The Government of Canada guarantees both the CWB's borrowings incurred to finance such sales and the accounts receivable resulting from the sales, both as to principal and interest. Because of these guarantees, the CWB is not at risk should any of the unpaid amounts prove to be uncollectible. In addition, balances receivable of $16,803,428 arise from credit sales made outside of the Government guaranteed Credit Grain Sales Program. The CWB has entered into arrangements with a Canadian financial institution to guarantee that the CWB is not at risk. Therefore, no provision is made in its accounts with respect to the possibility of debtors defaulting on their obligations.

3. Covered hopper cars

The CWB purchased 2,000 covered hopper cars in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 69 cars have been wrecked and dismantled leaving 1,931 still in the fleet having an original cost of $87,431,454 with accumulated depreciation of $45,174,534 to July 31, 1995. The CWB is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

4. Borrowings

Details of these borrowings are as follows:

	July 31, 1995	July 31, 1994
	$	$
Short-term debt instruments and loans	5,920,311,779	6,244,028,478
Medium-term debt instruments	571,979,620	582,593,075
	6,492,291,399	6,826,621,553

These borrowings fund the following:

	July 31, 1995	July 31, 1994
	$	$
Ordinary operations (funds on deposit) borrowings	(234,562,561)	(169,922,918)
Borrowings to finance credits sales	6,726,853,960	6,996,544,471
	6,492,291,399	6,826,621,553

THE CANADIAN WHEAT BOARD—*Concluded*

NOTES TO FINANCIAL STATEMENTS—*Concluded*

Of the total short-term borrowings, $4,052,144,116 (1994—$4,198,547,264) represents the Canadian equivalent of $2,971,869,539 (1994—$3,024,889,960) repayable in United States funds. Of the medium-term borrowings, $571,979,620 (1994—$542,593,075) represents the Canadian equivalent of $419,493,671 (1994—$390,917,201) repayable in United States funds.

The CWB's borrowings are undertaken with the approval of the Minister of Finance. Such borrowings constitute direct obligations of the CWB and as such constitute borrowings undertaken on behalf of Her Majesty in Right of Canada.

5. Liability to agents for grain purchased from producers

Grain companies, acting in the capacity of agents of the CWB, accept deliveries from producers at country elevators and pay the producers on behalf of the CWB based on the CWB's initial price in effect. Settlement is not made by the CWB for these purchases until delivery to the CWB is completed by its agents at terminal or mill position. Liability to agents amounting to $494,333,230 (1994—$866,923,224) represents the amount payable by the CWB to its agents for 2,738,135 (1994—7,570,120) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the CWB is to be completed subsequent to year end date.

6. Liability to agents for deferred cash tickets

Grain companies, as agents of the CWB, deposit with the CWB in trust an amount equal to the deferred cash tickets issued for CWB grain. These monies are returned to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first days of the following calendar year.

7. Accrued expenses and accounts payable

This item is composed mainly of expenses related to marketing activities carried out during the period from August 1, 1995 to completion of operations on August 31, 1995 for wheat, amber durum wheat and barley, and to September 30, 1995 for designated barley. The expenses included are accrued carrying charges, storage, interest, rail freight and other transportation charges, and administrative costs, together with all other unpaid sundry expenses incurred during the period and/or payable as at July 31, 1995.

8. Special account—Net balance of undistributed payment accounts

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the CWB to transfer to a special account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendations of the CWB, may deem to be for the benefit of producers.

9. Provision for final payment expenses

This item represents the balance of the CWB's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools are transferred to the special account by Order-in-Council.

10. Lease commitments

The CWB, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the Government and are not a charge to the operations of the CWB. Total payments associated with leases in the year ended July 31, 1995, amounting to $19,985,536 (1994—$19,254,419) have been recovered by the CWB. Lease terms are for 20 and 25 years.

11. Off balance sheet financial instruments

The CWB enters into swap agreements to manage interest rate and currency risk arising from the issuance of medium-term notes. The interest rate and currency swaps outstanding at July 31 have a notional principal value of $571,979,620 (1994—$582,593,075). The CWB manages its exposure to the risk of non-performance by the counterparty, by contracting only with financial institutions having a very high credit rating and therefore, does not anticipate non-performance by the counterparties to these agreements.

The CWB makes use of exchange traded grain futures contracts to protect sales values against price fluctuations on certain sales contracts.

The CWB uses foreign exchange contracts to protect the Canadian dollar value of sales denominated in US funds for which payment will be received in US funds. The total value of these foreign exchange contracts as at July 31, 1995 is $752,855,783 US (1994—$693,796,142 US).

12. Statement of administrative and general expenses

Consulting/legal costs—Trade challenge

This is the cost incurred by the CWB as a result of a United States International Trade Commission investigation into wheat and wheat flour sales into the United States. This expense has been amortized over two years of which 1994-95 was the final year.

13. Statement of changes in financial position

A statement of changes in financial position has not been included as the changes in financial position are evident from the balance sheet and the statements of operations for the pool accounts.

14. Restatement of prior year's balances

Certain of the prior year's balances have been restated to conform with the current year's presentation.

CAPE BRETON DEVELOPMENT CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF NATURAL RESOURCES

I have audited the balance sheet of Cape Breton Development Corporation as at March 31, 1996 and the statements of operations, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Cape Breton Development Corporation Act* and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 17, 1996

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash	8,973	10,109
Accounts receivable	24,898	24,596
Inventories		
Coal	11,732	10,959
Operating materials and supplies	9,484	12,908
Prepaid expenses	146	251
	55,233	58,823
Capital assets (Note 5)	158,362	269,874
Other asset		
Deferred pension costs (Note 6)	45,907	38,284
	259,502	366,981

LIABILITIES	1996	1995
Current		
Accounts payable and accrued liabilities	30,321	30,109
Large corporations tax payable	3,536	3,226
Employees' deductions	2,098	3,063
Due to Government of Canada		
Working capital advances (Note 13)	15,000	5,000
Current portion of long-term provisions (Note 7)	18,597	8,488
	69,552	49,886
Provision for early retirements and restructuring (Note 8)	104,087	38,898
Provision for environmental projects	20,852	5,791
	194,491	94,575
EQUITY		
Equity of Canada	65,011	272,406
	259,502	366,981

Going concern (Note 3).
Contingent liabilities (Note 10).

Approved on behalf the Board:

JOSEPH P. SHANNON
Director

JOSEPH M. MacMULLEN, FCA
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenue	188,410	235,361
Expenses		
Cost of product sold	131,353	161,681
External freight	5,171	9,978
General and administrative	11,544	14,033
Amortization	34,664	39,442
	182,732	225,134
Profit from current operations	5,678	10,227
Deduct:		
Pensions and early retirement	29,761	30,085
Provision for environmental projects	15,851	318
Provision for corporate restructuring (Note 4)	84,492	
Write-down of capital assets (Note 5)	82,659	
	212,763	30,403
Loss before taxes	(207,085)	(20,176)
Large corporations tax	310	537
Loss for the year	(207,395)	(20,713)

STATEMENT OF EQUITY
YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance, beginning of the year	272,406	267,689
Add (deduct)		
Loss for the year	(207,395)	(20,713)
Parliamentary appropriations in respect of capital expenditures		25,430
Balance, end of the year	65,011	272,406

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Net inflow (outflow) of cash related to the following activities:		
Operating		
Loss for the year	(207,395)	(20,713)
Items not affecting cash		
Amortization of capital assets	34,664	39,442
Capital assete write-downs	82,659	
Provision for early retirements	721	4,206
Provision for environmental projects	15,851	318
Provision for corporate restructuring	84,492	
Changes in non-cash operating working capital items	11	1,797
	11,003	25,050
Payments for early retirements	(8,497)	(8,410)
Payments for environmental projects	(208)	(1,118)
	2,298	15,522
Financing		
Increase in working capital advances	10,000	
Payments by Canada in respect of capital expenditures		25,430
	10,000	25,430
Investing		
Purchase of capital assets	(5,811)	(26,452)
Proceeds from sale of capital assets		299
Deferred pension costs	(7,623)	(13,735)
	(13,434)	(39,888)
Net inflow (outflow) of cash	(1,136)	1,064
Cash, beginning of year	10,109	9,045
Cash, end of year	8,973	10,109

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1996

1. Authority and objectives

The Corporation was established in 1967 for the purpose of reorganizing and rehabilitating the coal industry on Cape Breton Island, pursuant to the *Cape Breton Development Corporation Act.* Its current corporate goal is to become a profitable coal mining company.

The Corporation, an agent of Her Majesty, is listed as a Schedule III, Part I, corporation for purposes of the *Financial Administration Act.* The Corporation has received Parliamentary appropriations in prior years for capital and operating expenditures. The Governor in Council has approved a Corporate Plan for the period 1996/97 to 2000/01 that includes provision for additional funding support for such expenditures, which must be repaid on a schedule to be determined.

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1996—*Continued*

Advances from the Government of Canada are also provided for working capital purposes to a limit of $50 million on such terms as may be agreed upon, as provided for in the *Cape Breton Development Corporation Act*.

The Corporation is subject to provisions of the *Income Tax Act*.

2. Accounting policies

(a) Parliamentary appropriations

Parliamentary appropriations are reflected in the Statement of Equity.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Capital assets

Capital assets are stated at lower of cost or estimated net recoverable amount. The Corporation has provided amortization on its capital assets based on their estimated useful lives, using the straight-line method of calculation, as follows:

Prince Colliery	2-20 years
Phalen Colliery	2-20 years
Devco Railway	5-20 years
Coal Preparation Plant	5-20 years
Other assets	5-20 years

(d) Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency gains and losses are included in the results of operations.

(e) Deferred pension costs

Deferred pension costs will be amortized over the estimated average remaining service life of the employees.

(f) Workers' compensation

Workers' compensation costs are recorded on a pay-as-you-go basis when claimants' eligibility for benefits is determined by the Nova Scotia Workers' Compensation Board.

(g) Development

Development costs incurred during commercial production are expensed immediately. Development costs incurred prior to commercial production are capitalized and amortized over the estimated useful life of the related asset.

(h) Provision for environmental projects

Provision for environmental projects includes costs for decommissioning, reclamation and mine drainage for sites currently and previously operated by the Corporation. These costs are recognized when they can be reasonably estimated and are charged to operations if no future economic benefits are expected.

3. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Corporation has a mandate to achieve commercial viability, although in the past it has received annual financial support from the Government of Canada. The Governor in Council approved the Corporation's Corporate Plan for the five year period from 1996/97 to 2000/01. This plan identifies a funding requirement of $80 million in the initial three years of the planning period. The plan projects profits and cash surpluses in the final two years of the planning period. All funding advanced in relation to this corporate plan will bear interest and must be fully repaid on a schedule to be determined.

The Corporation has experienced significant geological problems with the Phalen Colliery including roof collapses, rock/gas outbursts and uncertainty regarding economic recovery of the coal reserve. Management is undertaking actions to address these issues that will affect the future operations of the Corporation. The most recent problem occured in November, 1995 at which time a serious roof collapse occurred on the production wall, 7 East. This significantly reduced production levels for the 1995/96 fiscal year; however, the wall is scheduled to resume production during the first quarter of 1996/97.

The Corporation's continuation as a "going concern" is dependent on future profitable operations and on the financial support of the Government of Canada to meet certain obligations and commitments as they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a "going concern".

4. Provision for corporate restructuring

During the year, management developed a Corporate Plan which identified a requirement for significant corporate restructuring in order to achieve its corporate goal. The Corporate Plan has received formal approval from the Government of Canada. The plan includes the reduction of certain operations and a workforce reduction of 658 employees over the next five years.

Provision has therefore been made in these financial statements for the estimated future costs associated with standby maintenance and write down of materials inventory for certain operations that are not expected to have future economic benefits ($14,500,000) and human resource strategy costs associated with planned workforce reductions ($55,000,000). The provision for human resource strategy costs includes early retirement incentives, severance allowances, as well as education and relocation allowances.

Provision has also been made in the amount of $14,992,000 for the future obligations of certain early retirement incentives dating from the 1980's and earlier. The costs of these programs had previously been accounted for on a "pay-as-you-go" basis.

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1996—*Continued*

5. Capital assets

	1996			1995
	Adjusted cost base	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Prince Colliery	152,397	127,057	25,340	50,535
Phalen Colliery	274,403	166,672	107,731	126,807
Donkin-Morien Development Project	80,679	80,679		
Coal Preparation Plant	110,972	110,972		34,086
Devco Railway	98,918	78,521	20,397	46,168
Other assets	65,907	61,013	4,894	12,278
	783,276	624,914	158,362	269,874

Capital assets have been written down by $82,659,000 to their estimated net recoverable amount reflecting corporate restructuring required to meet the corporate mandate and related marketing strategies. Prince Colliery assets have been written down by $20,818,000; coal preparation, transportation and other assets have been reduced by $61,841,000.

Valuation of the remaining assets, particularly the Phalen Colliery, is dependent on the Corporation's ability to overcome the problems identified in Note 3.

6. Pensions

The Corporation contributes to defined benefit pension plans on behalf of employees of the Corporation. The current service cost of pensions is included in the cost of product sold. All other pension costs are included in pensions and early retirement costs.

An actuarial valuation of the Corporation's Non-Contributory Pension Plan as at March 31, 1996 indicated an unfunded liability of $36,079,000 (assets of $216,913,000 and liabilities of $252,992,000). The Corporation has made provision in its annual operating plan for past and current service contributions in amounts at least equal to the anticipated pension payments under this plan. On this basis, the unfunded liability will be funded over a period of not more than three years. The Corporation contributed $21,587,000 (1995—$26,325,000) and expensed $13,964,000 (1995—$12,590,000), relative to this plan for the year ended March 31, 1996 with the difference appearing on the balance sheet as an addition to deferred pension costs.

An actuarial valuation of the Corporation's Contributory Pension Plan as at March 31, 1996, indicated a surplus of $7,326,000 (assets of $48,859,000 and liabilities of $41,533,000). Required Corporation payments and expenses approximated current service costs of $752,600 (1995—$697,400) relative to this plan for the year ended March 31, 1996.

The valuations of the pension plans are based on the assumption that the human resource strategy which forms part of the corporate restructuring will not significantly affect the average age and retirement profile of the workforce. Furthermore, it is forecast that there will be no material effect on plan participation levels from the planned workforce reductions.

7. Current portion of long-term provisions

	1996	1995
	(in thousands of dollars)	
Early retirements and restructuring	16,455	6,928
Environmental projects	2,142	1,560
	18,597	8,488

8. Provision for early retirements and restructuring

The balance in this account at year end consists of the following provisions:

	1996	1995
	(in thousands of dollars)	
Lingan Colliery closure	38,050	45,826
Early retirement incentives (Pre-Lingan closure)	14,992	
Human resources strategy (1996)	55,000	
Standby maintenance	12,500	
	120,542	45,826
Less: current portion	16,455	6,928
	104,087	38,898

9. Commitments

(a) The Corporation has commitments on capital projects of approximately $2.2 million for expenditures during 1996/97.

(b) The Corporation leases the General Mining Building which houses its administrative offices. The lease is for a 20 year period which commenced June, 1984. The annual lease payments fluctuate with changes in the lessor's mortgage interest rates. Current lease payments are $1,203,000 per annum at an interest rate of 8%.

(c) The Corporation has outstanding export sales contracts totalling $10,700,000 (US dollars) at March 31, 1996.

10. Contingent liabilities

(a) Legal matters

The Corporation is subject to several claims related to disputed contracts and other matters. One amount claimed is approximately $1.2 million and the amount of a second claim has not been determined at this time. The Corporation intends to oppose these matters in their entirety.

(b) Insurance

The Corporation self insures against the potential loss of underground assets and for a portion of its liability insurance.

CAPE BRETON DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1996—*Concluded*

(c) Environmental considerations

The Corporation, in the course of its operations, is subject to environmental liabilities and contingencies. Accruals are made as liabilities are incurred and where such liabilities can be reasonably estimated. The Corporation believes its current operations and plans comply in all material respects with applicable laws and regulations. However, environmental related activities beyond those provided for in these financial statements may be required in the future but cannot be reasonably determined at this time.

(d) Workers' compensation

In accordance with the *Government Employees' Compensation Act*, the Corporation reimburses Human Resources Development Canada for current payments of workers' compensation claims (1996—$4,200,000) and periodic disability payments (1996—$12,400,000) billed by the Workers' Compensation Board of the Province of Nova Scotia.

An actuarial study of workers' compensation awarded as at December 31, 1992 by the Nova Scotia Workers' Compensation Board against the Government of Canada, on behalf of the employees and former employees of the Corporation, has estimated a present value of approximately $150 million compensation payable in future years of *Government Employees Compensation Act* authority. There have been significant changes to workers' compensation legislation that may affect this valuation and it is anticipated that these changes will be reflected in a future actuarial study.

11. Incomes taxes

The Corporation has loss carry-fowards for income tax purposes which have not been recognized in these financial statements as such losses have no realizable value to the Corporation.

During 1990 the Corporation was reassessed by Revenue Canada Taxation for the years 1983-1989. The reassessment treats funding provided by the Government of Canada as government assistance for operating and capital purposes. The Corporation opposes Revenue Canada's position that appropriations to the Corporation are taxable as income from a business or property and that they otherwise reduce the capital cost of the Corporation's property.

The outcome of these and related matters is not determinable at this time and therefore no adjustments have been reflected in these financial statements.

12. Long-term agreement

The Corporation has signed an agreement with the Nova Scotia Power Inc. (NSPI) which calls for the delivery of a substantial portion of the Corporation's coal production to NSPI. The agreement expires in the year 2010 with a requirement to renegotiate quantities, tolerance on quantities and prices every five years. Terms on these items were recently renegotiated covering the period April 1, 1995 to December 31, 1999.

The parties' performance of this agreement in accordance with its terms is necessary to the future operations of the Cape Breton Development Corporation and the fulfilment of its Corporate Plan.

13. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

The Chairman and Acting President of the Corporation has ownership interest in companies which operate in the Atlantic Provinces. Some of these companies have business dealings with the Corporation, particularly in connection with the transportation of coal. The Corporation enters into these transactions in the normal course of business, with the necessary approval and disclosures which exclude the participation of the Chairman and Acting President.

Working capital advances are provided to the Corporation by the Government of Canada based on current rates set by the Bank of Canada and are repayable within one year.

14. Comparative figures

Certain of the comparative figures in these financial statements have been restated to conform with the current presentation.

DEFENCE CONSTRUCTION (1951) LIMITED

MANAGEMENT REPORT

The management of the Corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report and the production of its contents, together with the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. Other financial and operating information appearing in the Annual Report is consistent with that contained in the financial statements.

Management relies on internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation. Management also ensures that assets are safeguarded and controlled and that the operations of the Corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Corporation and performs other such functions as are assigned to it.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing the report thereon.

Ross Nicholls
Acting General Manager and
Vice-President—Operations and Chief Engineer

Trevor Heavens
Vice-President—Finance and Administration
and Secretary-Treasurer

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of Defence Construction (1951) Limited as at March 31, 1996 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 17, 1996

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996

ASSETS	1996	1995
	$	$
Current		
Cash	158,446	151,092
Accounts receivable	766,303	328,706
Due from Department of National Defence (Note 3)	892,130	460,150
Prepaids and advances	104,002	111,601
	1,920,881	1,051,549
Capital assets (Note 4)	1,705,994	2,136,614
	3,626,875	3,188,163

LIABILITIES	1996	1995
	$	$
Current		
Accounts payable and accrued liabilities	1,920,849	1,051,517
Current portion—Provision for employees benefits	483,986	489,438
	2,404,835	1,540,955
Provision for employee benefits (Note 5)	1,490,534	1,812,084
	3,895,369	3,353,039
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—1,000 common shares of no par value		
Issued—32 common shares	32	32
Deficit (Note 7)	(268,526)	(164,908)
	(268,494)	(164,876)
	3,626,875	3,188,163

Contingencies (Note 10).

Approved by the Board:

J. D. McCLURE
Director

J. L. ADAMS
Director

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Expenses		
Salaries	10,878,299	11,009,086
Employee benefits	2,076,999	2,360,512
Travel and relocation	1,196,205	980,764
Amortization	678,421	672,685
Office supplies and maintenance	560,747	650,854
Telephone	647,941	584,824
Office accommodation	404,261	478,232
Professional services	905,347	463,781
Training and professional development	210,019	344,209
Rental of machinery	175,208	310,837
Postage, express, and freight	129,269	147,718
Advertising	52,565	22,581
Other	52,492	65,300
	17,967,773	18,091,383
Cost recoveries		
Department of National Defence	16,910,523	18,100,692
Others	953,632	576,894
	17,864,155	18,677,586
Excess of cost recoveries over expenses (Note 6) (expenses over cost recoveries)	(103,618)	586,203
Deficit at beginning of the year	(164,908)	(751,111)
Deficit at end of the year	(268,526)	(164,908)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Operating activities		
Excess of cost recoveries over expenses (expenses over cost recoveries)	(103,618)	586,203
Items not requiring cash		
Long-term provision for employee benefits	312,863	503,945
Amortization	678,421	672,685
Net increase in non-cash working capital balances related to operations*	1,902	99,582
	889,568	1,862,415
Employee termination benefits paid	(634,414)	(505,065)
Cash provided by operating activities	255,154	1,357,350
Investing activities		
Acquisition of capital assets	(247,800)	(1,236,913)
Increase in cash during the year	7,354	120,437
Cash at beginning of the year	151,092	30,655
Cash at end of the year	158,446	151,092

* Consisting of changes in accounts receivable due from Department of National Defence, other assets, accounts payable and accrued liabilities, and current portion of provision for employee benefits.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority and objective

Defence Construction (1951) Limited was incorporated under the *Canada Corporations Act* in 1951 and was continued under the *Canada Business Corporations Act*, pursuant to the authority of the *Defence Production Act*. The Corporation is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation is not subject to income taxes.

The objective of the Corporation is principally to contract for and manage the construction, maintenance and repairs services, architectural and engineering services as required for the construction program of the Department of National Defence, pursuant to the Memorandum of Understanding with the latter. It also carries out other projects as approved by Treasury Board.

Pursuant to the Memorandum of Understanding, the Department of National Defence provides the Corporation with funding for its net cost of operations and also funds the purchase of capital assets required for its day-to-day operations.

2. Significant accounting policies

Financial statement presentation

The financial statements reflect the administrative expenses incurred in procuring the services to the Department of National Defence and others, as described above.

Capital assets

Capital assets, comprised of equipment and computers which include hardware, some software and development costs, are capitalized at cost and are amortized on a straight-line basis over five years.

Employee termination benefits

Employees are entitled to specific termination benefits calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the Corporation and are charged to income on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Services provided without charge

The Department of National Defence provides office space free of charge for some employees of the Corporation.

Audit services

The Office of the Auditor General provides audit services to the Corporation at no charge.

DEFENCE CONSTRUCTION (1951) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

3. Due from Department of National Defence

The net cost of operations is recovered through the Department of National Defence to the extent of net cash requirement. Any excess of cash advances is refunded after year end. As at March 31, 1996 the net balance due from the Department of National Defence was $892,130 (1995—$460,150).

4. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Equipment	694,898	473,876	221,022	253,218
Computers	3,416,563	1,931,591	1,484,972	1,883,396
	4,111,461	2,405,467	1,705,994	2,136,614

5. Provision for employee benefits

	1996	1995
	$	$
Termination benefits	1,476,409	1,723,592
Life insurance	14,125	28,612
Compensation benefits	483,986	549,318
	1,974,520	2,301,522
Less: current portion	483,986	489,438
	1,490,534	1,812,084

6. Excess of expenses over cost recoveries

The excess of cost recoveries over expenses (expenses over cost recoveries) is the net balance resulting from the change in provision for employee benefits and the change in the net book value of capital assets at year end.

	1996	1995
	$	$
Decrease in provision for employee benefits	327,002	21,975
Increase (decrease) in net book value of capital assets	(430,620)	564,228
	(103,618)	586,203

7. Deficit

The deficit of the Corporation is comprised of the difference between the provision for employee benefits, which will be funded in future years as they are paid, and the net book value of capital assets which have been funded by the Department of National Defence.

	1996	1995
	$	$
Provision for employee benefits (Note 5)	1,974,520	2,301,522
Net book value of capital assets (Note 4)	(1,705,994)	(2,136,614)
	268,526	164,908

8. Related party transactions

All material related party transactions are disclosed in relevant notes. The principal related party to the Corporation is the Department of National Defence. The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

9. Lease commitments

In addition to the free office space provided by the Department of National Defence, the Corporation leases extra accommodation in the performance of its operations. The future minimum annual lease payments are:

Year ending March 31	$
1997	92,771
1998	77,196
1999	57,792
2000	35,978
	263,737

10. Contingencies

Claims aggregating approximately $9,161,700 in respect of contractual obligations have been received by the Corporation, but are not reflected in the accounts. In the opinion of management and legal counsel, the position of the Corporation is defensible. However, the final outcome of such claims is not determinable. Any settlements resulting from the resolution of these claims will be funded by the Department of National Defence, in the year of settlement.

11. Comparative figures

Certain 1995 comparative figures have been reclassified to conform with the current year's presentation.

ENTERPRISE CAPE BRETON CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities, assets are safeguarded, and proper records are maintained to produce timely, reliable financial statements. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The Audit Committee of the Board of Directors has periodic meetings with management and the independent auditors to discuss the financial reporting process as well as accounting and reporting issues. The financial statements have been reviewed and approved by the Board of Directors upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in order to express his opinion thereon.

F.M. Street
Vice-President

Francis Mullins
Comptroller

AUDITOR'S REPORT

TO THE MINISTER FOR THE PURPOSES OF THE
ATLANTIC CANADA OPPORTUNITIES AGENCY ACT

I have audited the balance sheet of Enterprise Cape Breton Corporation as at March 31, 1996 and the statements of equity, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in accounting for impaired loans as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 24, 1996

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

BALANCE SHEET
AS AT MARCH 31, 1996

ASSETS	1996	1995
	$	$
Current		
Cash and term deposits	512,752	311,167
Parliamentary appropriation receivable		1,321,900
Accounts receivable	1,158,602	575,992
Prepaid expenses	38,867	47,787
	1,710,221	2,256,846
Loans (Notes 4 and 5)	2,369,619	1,816,365
Investments (net of allowance of $372,323; 1995—$380,000)	350,000	380,000
Capital assets (Note 6)	108,972	89,264
	4,538,812	4,542,475

LIABILITIES	1996	1995
	$	$
Current		
Accounts payable and accrued liabilities	1,156,641	1,540,666
Provision for environmental cleanup	220,000	180,000
Provision for employee termination benefits	55,400	260,029
	1,432,041	1,980,695
Long-term		
Provision for employee termination benefits	360,209	336,292
	1,792,250	2,316,987
EQUITY		
Equity of Canada	2,746,562	2,225,488
	4,538,812	4,542,475

Commitments (Note 9).

Approved by the Board of Directors:

GREG MacKENZIE
Director

CHARLES T. SMITH
Director

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

STATEMENT OF EQUITY FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Equity at beginning of the year	2,225,488	2,401,892
Parliamentary appropriation (Note 7)	15,038,000	15,561,900
	17,263,488	17,963,792
Less:		
Net cost of operations	14,516,926	15,738,304
Equity at end of the year	2,746,562	2,225,488

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Program expenses		
Development expenses		
Specific initiatives	6,662,168	3,385,105
Tourism, entertainment and culture	1,835,790	3,177,807
Knowledge based industries	1,206,685	1,230,189
Private sector business services	575,509	1,140,983
Manufacturing and processing	445,453	1,098,804
Resource industries	428,008	1,548,104
Youth skills	374,410	663,986
	11,528,023	12,244,978
Other program expenses		
Program support	1,310,218	1,524,965
Rental facilities	923,616	750,011
Provision for loan impairment	195,474	32,319
	2,429,308	2,307,295
Total program expenses	13,957,331	14,552,273
Administrative expenses	1,219,053	1,737,844
Communications	226,967	216,158
Amortization	57,945	159,299
	1,503,965	2,113,301
Total expenses	15,461,296	16,665,574
Revenue		
Rental facilities	714,744	652,841
Loan and investment interest	131,462	199,894
Other interest	98,164	74,535
Total revenue	944,370	927,270
Activities carried out on behalf of the Atlantic Canada Opportunities Agency (Note 10)		
Program expenses	16,427,794	
Salaries, professional and other services	1,448,605	389,629
	17,876,399	389,629
Less: costs recovered	(17,876,399)	(389,629)
Net cost of operations	14,516,926	15,738,304

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Financing activities		
Parliamentary appropriation	15,038,000	15,561,900
Decrease (increase) in parliamentary appropriation receivable	1,321,900	(1,321,900)
Cash provided by financing activities	16,359,900	14,240,000
Operating activities		
Net cost of operations	(14,516,926)	(15,738,304)
Charges (credits) not affecting cash		
Amortization	57,945	159,299
(Decrease) increase in provision for employee termination benefits	(15,295)	217,495
Decrease in provision for doubtful investments	(7,677)	
Provision for loan impairment	195,474	32,319
	(14,286,479)	(15,329,191)
Increase in non-cash operating working capital	(917,715)	(165,705)
Employee termination benefit payments	(165,417)	
Cash used in operating activities	(15,369,611)	(15,494,896)
Investing activities		
Loan advances	(1,274,632)	(506,213)
Loan repayments	525,904	401,335
Redemption (purchase) of investments	37,677	(50,000)
Purchase of capital assets	(77,653)	(187,272)
Cash used in investing activities	(788,704)	(342,150)
Increase (decrease) in cash and term deposits	201,585	(1,597,046)
Cash and term deposits at beginning of the year	311,167	1,908,213
Cash and term deposits at end of the year	512,752	311,167

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1996

1. The Corporation

Authority and objectives

Enterprise Cape Breton Corporation was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act, Atlantic Canada, 1987*) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

2. Significant accounting policies

(a) Parliamentary appropriations

Parliamentary appropriations are recorded in the statement of equity on an accrual basis when approved by Parliament with drawdowns based on cash requirements.

(b) Loans

Loans, including repayable contributions, are recorded at the lower of cost and estimated net realizable value.

Certain loans are subject to terms of forgiveness as stipulated in the loan contract. The amount of forgiveness is charged to operations when the loan is issued.

Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is unlikely.

(c) Allowances for loan impairment

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest, where applicable. A specific allowance is established to reduce the recorded value of the loan to its estimated net realizable value if there is doubt as to the timely collection on a particular loan. Impaired loans are measured according to their estimated realizable amounts by discounting expected future cash flows at the effective interest rate inherent in the loans. When future cash flows cannot be estimated with reasonable reliability, the estimated realizable amounts are measured at the fair value of any security underlying the loans, net of any expected costs of realization.

A general allowance is established in respect of loans for which individual specific provisions cannot yet be determined. The general allowance is based upon an evaluation of the loan portfolio in which numerous factors are assessed, including an analysis of arrears, past loss experience, recent events and changes in economic conditions.

Initial and subsequent changes in the amount of impairment are recorded as a charge or credit to the provision for loan impairment.

(d) Investments

The Corporation has preferred equity holdings as well as partnership interests. These investments are subject to restrictive terms of agreement and are shown at cost, net of allowance for doubtful investments.

(e) Interest income

Interest income is recorded on the accrual basis. When a loan becomes impaired, interest income ceases to be recognized.

(f) Capital assets

Capital assets are recorded at lower of cost less accumulated amortization and net realizable value. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 25 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	3 or 4 years

(g) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Corporation. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(h) Termination benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(i) Provision for environmental cleanup

The provision for environmental cleanup represents management's best estimate of the cost to clean up properties that contain environmental contaminants. Management monitors the progress of its cleanup activities and any changes in the estimated cost are recognized when they can be reasonably determined.

3. Change in accounting policy

During the year, the Corporation adopted the new requirements of the Canadian Institute of Chartered Accountants with respect to accounting for impaired loans. The change has been applied retroactively and had no effect on the net cost of operations or equity.

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

4. Loans

	1996	1995
	$	$
Loans	2,804,703	2,939,528
Repayable contributions	792,197	
Interest receivable	24,314	41,527
	3,621,214	2,981,055
Less: allowance for loan impairment (Note 5)	1,251,595	1,164,690
	2,369,619	1,816,365

Loans for which the final condition of forgiveness have not been met are valued at $895,816 (1995—$889,461). These loans have been charged to operations in either the current or previous years. However, if certain terms and conditions of the letter of commitment are not fulfilled, the loan may become due and payable by the client.

An analysis of the loan balance outstanding at March 31 is as follows:

Annual interest rate	1996	1995
	$	$
0 percent	2,735,501	1,946,100
Less than 10 percent	560,360	661,080
10 percent and over	301,039	332,348
	3,596,900	2,939,528
Interest receivable	24,314	41,527
	3,621,214	2,981,055
Less: allowance for loan impairment (Note 5)	1,251,595	1,164,690
	2,369,619	1,816,365

Amounts due by fiscal year based on loan terms are as follows:

	1996	1995
	$	$
Principal		
Past due	56,635	134,602
1996	512,143	
1997	757,425	530,554
1998	275,629	173,724
1999	803,988	1,165,823
2000	396,929	124,176
2001 and beyond	1,306,294	298,506
	3,596,900	2,939,528
Interest receivable	24,314	41,527
	3,621,214	2,981,055
Less: allowance for loan impairment (Note 5)	1,251,595	1,164,690
	2,369,619	1,816,365

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

5. Allowance for loan impairment

	1996			1995
	Specific	General	Total	Total
	$	$	$	$
Balance at beginning of the year	1,164,690		1,164,690	1,920,991
Write-offs due to restructuring				(717,092)
Write-offs	(108,569)		(108,569)	(71,528)
Provision for loan impairment	(4,526)	200,000	195,474	32,319
Balance at end of the year	1,051,595	200,000	1,251,595	1,164,690

The investment value of those loans specifically identified as being impaired is $1,298,637 (1995—$1,382,003).

6. Capital assets

	1996			1995
	Cost	Accumulated amortization and write downs	Net book value	Net book value
	$	$	$	$
Land for development	532,441	532,440	1	1
Equipment, furniture, leaseholds	1,038,181	929,210	108,971	89,263
Rental facilities	15,514,452	15,514,452		
	17,085,074	16,976,102	108,972	89,264

7. Funding from Government of Canada

The Government of Canada approved a parliamentary appropriation in the amount of $17,538,000 (1995—$15,561,900) of which the Corporation utilized $15,038,000 (1995—$15,561,900). Treasury Board has authorized the Corporation to include $2,500,000 in its request for parliamentary funding for next year. This represents the parliamentary appropriation not utilized in the current year.

8. Guarantee

During 1976, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment by Sydney Steel Corporation of that Corporation's $70,000,000 11 1/4% Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The Corporation assumed this guarantee as the successor to the Industrial Development Division of the Cape Breton Development Corporation. During the year, all of the debentures were fully paid out.

ENTERPRISE CAPE BRETON CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

9. Commitments

(a) As at March 31, 1996 the Corporation had outstanding commitments for development programs in the amount of $6,677,317 (1995—$12,460,911).

(b) Future minimum payments by fiscal year on operating leases for premises in excess of one year are as follows:

	$
1997	424,485
1998	410,965
1999	442,428
2000 and beyond	48,826
	1,326,704

10. Related party transactions

The Corporation entered into a memorandum of understanding with the Atlantic Canada Opportunities Agency establishing the arrangements for the Corporation to deliver the Agency's programs on the Island of Cape Breton. As of March 31, 1996, the Agency reimbursed the cost of its program activities and related program delivery provided by the Corporation except for the amount included in accounts receivable of $918,448 (1995—$313,073).

The cost of services provided by other federal government departments, agencies, and Crown corporations totalled $485,189 (1995—$202,715).

11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

EXPORT DEVELOPMENT CORPORATION

FINANCIAL REPORTING RESPONSIBILITY

The Consolidated Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada and have been consistently applied. The integrity and objectivity of the data in these Consolidated Financial Statements are Management's responsibility. The Consolidated Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgment. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Consolidated Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 16 to the Corporation's Consolidated Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Consolidated Financial Statements. His report is presented on the following page.

Paul Labbé
President and Chief Executive Officer

Roger Pruneau
Executive Vice-President and Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have audited the consolidated balance sheet of the Export Development Corporation as at December 31, 1995 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Export Development Act* and regulations, the *Canada Business Corporations Act* and the by-laws of the Corporation and its wholly-owned subsidiary.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 7, 1996

EXPORT DEVELOPMENT CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1995
(in millions of dollars)

ASSETS	1995	1994
Investments (Note 3)	1,225	911
Other investments (Note 4)	234	186
Accrued interest	19	20
	1,478	1,117
Net loans receivable (Notes 5, 6 and 7)	7,727	8,037
Accrued interest and fees	159	160
	7,886	8,197
OTHER		
Recoverable insurance claims (Note 10)	20	13
Unamortized discount, issue expenses and other assets	44	48
	64	61
	9,428	9,375

LIABILITIES	1995	1994
Loans payable (Note 11)		
Short-term	2,032	1,447
Long-term	5,570	6,213
	7,602	7,660
Accrued interest	154	141
	7,756	7,801
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	50	58
Deferred insurance premiums	15	18
Allowance for claims on insurance and guarantees (Note 10)	181	149
Deferred loan revenues and other credits	253	258
	499	483
Loan commitments and insurance and guarantees (Notes 8 and 9)		
SHAREHOLDER'S EQUITY		
Share capital (Note 12)	851	813
Retained earnings	322	278
	1,173	1,091
	9,428	9,375

See accompanying notes.

Approved by the Board of Directors:

W.R.C. BLUNDELL
Director

ROGER PRUNEAU
Executive Vice-President and Chief Financial Officer

PAUL LABBÉ
Director

EXPORT DEVELOPMENT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1995
(in millions of dollars)

	1995	1994
Loans		
Interest earned	748	553
Debt relief arrangements (Note 13)	11	151
Fees earned	57	51
	816	755
Less: provision for losses on loans	341	140
	475	615
Insurance		
Premiums and fees earned	74	51
Less: provision for claims on insurance	49	40
	25	11
Investment revenue earned	75	38
	575	664
Interest expense		
Long-term	414	388
Short-term	60	49
	474	437
Administrative expenses	57	56
	531	493
Net income	44	171
Retained earnings		
Beginning of year	278	107
End of year	322	278

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1995
(in millions of dollars)

	1995	1994
Operating activities		
Net income	44	171
Items not affecting cash		
Provision for losses on loans	341	140
Provision for claims on insurance	49	40
Accrued interest and fees	14	(89)
Other changes	(25)	36
Cash provided	423	298
Lending activities		
Loans receivable disbursed	(2,172)	(2,444)
Loans receivable repaid	2,114	1,672
Items not affecting cash		
Net increase in deferred revenue	(5)	19
Interest rescheduled	(131)	(189)
Loans interest and expenses reversed		(3)
Cash used	(194)	(945)
Financing activities		
Issue of long-term loans payable	556	1,518
Repayment of long-term loans payable	(42)	(1,891)
Decrease in short-term loans payable	(408)	(114)
Issue of share capital	38	25
(Increase) decrease in other investments	(48)	10
Cash provided (used)	96	(452)
Increase (decrease) in investments	325	(1,099)
Foreign exchange on opening balance of investments	(11)	121
Investments		
Beginning of year	911	1,889
End of year	1,225	911

See accompanying notes.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995

1. Corporate mandate and activities

Export Development Corporation ("The Corporation" or "EDC") was established on October 1, 1969 by the *Export Development Act* ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

EDC incorporated Exinvest Inc. ("The Subsidiary"), under the *Canada Business Corporations Act* on August 1, 1995. All funds for the commencement of the Subsidiary were received from the Government of Canada. The Subsidiary shares the same fiscal year-end as the Corporation. As at December 31, 1995, the Subsidiary had not yet commenced operations. The activities of the Subsidiary have been consolidated with those of the Corporation.

The earnings of the Corporation and its Subsidiary are not subject to the requirements of the *Income Tax Act*.

The Corporation is subject to a limit imposed by the Act on its contingent liability programs. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed $15 billion, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1995, the position against this limit is $7.9 billion (1994—$7.5 billion).

As an agent of Her Majesty in right of Canada, the payment of all monies borrowed by EDC and interest thereon and of the principal of and interest on all securities issued by EDC is a charge on and payable out of the Consolidated Revenue Fund of Canada under the *Financial Administration Act* of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the previous year's audited Financial Statements. This limit for borrowing is $16.9 billion (1994—$13.8 billion), against which borrowings amounted to $7.6 billion (1994—$7.7 billion).

The Corporation enters into transactions with other Government departments, agencies, and Crown corporations in the normal course of business.

2. Summary of significant accounting policies

Investments

Investments which are being held to maturity are carried at cost. Gains and losses on these investments are recognized in income only when they are realized and the asset is removed from the balance sheet. "Available for sale" securities are carried at market value. The gains and losses arising from investments carried at market value are included in investment revenue earned.

Net loans receivable

Gross loans receivable have been reduced by the allowance for losses on loans and by the non-accrued capitalized interest.

Loan interest and fees

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing. Subsequently, when a loan is classified as non-performing, the Corporation reverses previously accrued interest against the allowances for losses on loans.

Any interest payment on a non-performing loan is recorded as interest income when received.

A non-performing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued capitalized interest is recognized over the remaining life of the loan.

Loan fees are normally taken into income over the disbursement and repayment periods of the related loan.

Debt relief arrangements

In accordance with the terms of multilateral debt reduction and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government including interest for debt service agreements, and previously non-accrued capitalized interest for debt reduction agreements.

Allowance for losses on loans

The allowance for losses on loans is based on a review of collectibility of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

The Corporation also sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

Recoverable insurance claims

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees when estimates are re-evaluated.

Allowance for claims on insurance and guarantees

The allowance for claims on insurance and guarantees is based on an actuarial review of net loss experience and potential net losses and represents Management's best estimate of the net present value of the liability under existing policies and guarantees.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

Insurance premiums

For short-term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Reinsurance premiums and recoveries on losses incurred are recorded as reductions of the respective income and balance sheet accounts. Unearned premiums on insurance transferred to reinsurers and estimates of amounts recoverable from reinsurers on unpaid claims are deducted from deferred premiums and recoverable claims respectively.

Interest expense

Interest expense includes hedging expenses, costs of issuing derivative financial instruments, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

Translation of foreign currency

The Corporation hedges its US dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the US dollar foreign exchange rate is due to short-term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in US dollars in such a way as to minimize this net exposure. Assets and liabilities in foreign currencies other than US dollars are also normally hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end.

Income and expenses are translated at daily exchange rates in effect during the year.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment revenue earned.

Other financial instruments

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts, currency swaps, interest rate swaps, options (caps and floors used as options), and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

New accounting standards

Impaired loans

The Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 3025, a section dealing with impaired loans. These standards become effective for the Corporation in 1996. A loan is considered to be impaired when the lender no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan. When a loan is impaired, the carrying amount is reduced to its estimated realizable value through the discounting of anticipated cash flows, or if cash flows cannot be reasonably estimated, the observable market value of the loan may be used.

Over the last few years, the Corporation has been using a combination of benchmarking the market prices of sovereign debt, together with cash flow experience and the likelihood of future cash flows continuing, when establishing the allowance for losses on loans, and thus the carrying value of its non-performing loans. After an initial assessment of the new standards, it is anticipated that no significant adjustments to the net loans receivable will be required in order to comply with the new CICA's impaired loans standards.

Financial instruments

The Canadian Institute of Chartered Accountants (CICA) also issued Handbook Section 3860, a section dealing with financial instruments with standards effective for the Corporation in 1996. Disclosure will be required of exposure to credit and interest rate risk as well as disclosure of fair values of financial instruments. The impact on the balance sheet in future years cannot be determined at this time. There will be no change to net income as a result of these changes.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

3. Investments

The Corporation maintains liquidity sufficient to meet general operating requirements, to maintain stability in the short-term borrowing program and to provide flexibility in achieving corporate objectives. In order to meet these varied needs, marketable securities are held in either the investment or "available for sale" portfolios.

Investment securities comprise securities held for liquidity and longer term investment. "Available for sale" securities are intended to be held for a short period of time.

	Remaining term to maturity				
	Under 1 year	1 to 3 years	Over 3 years	1995	1994
	(in millions of dollars)				
Cash and short-term deposits	599			599	284
Marketable securities					
Investment securities[1]	147	197	92	436	463
Available for sale securities	118		72	190	164
Total	864	197	164	1,225	911

[1] The market value of the investment securities at December 31, 1995 is $437 million (1994—$450 million).

4. Other investments

The Corporation has investments in notes issued by related Crown corporations totalling $234 million (1994—$186 million) which are not marketable. These are investments which the Corporation intends to hold to maturity. These transactions were performed in the normal course of business, done at fair value, and are carried at cost.

5. Net loans receivable

Loans receivable mature as follows:

	1995			1994		
	Fixed	Floating	Total	Fixed	Floating	Total
	(in millions of dollars)					
Performing:						
Overdue	6	1	7	7	14	21
1995				522	875[1]	1,397
1996	523	801	1,324	537	301	838
1997	526	460	986	448	323	771
1998	458	420	878	428	268	696
1999	401	392	793	363	246	609
2000	364	305	669	326	205	531
2001 and thereafter	1,820	1,538	3,358	1,394	1,046	2,440
Performing	4,098	3,917	8,015	4,025	3,278	7,303
Non-performing	322	1,573	1,895	394	2,204	2,598
Total gross loans receivable	4,420	5,490	9,910	4,419	5,482	9,901
Less: non-accrued capitalized interest for						
— Non-performing loans (Note 6)	2	663	665	5	749	754
— Performing loans[2]		262	262		175	175
Subtotal	4,418	4,565	8,983	4,414	4,558	8,972
Less: allowance for losses on loans (Note 7)			1,256			935
Net loans receivable			7,727			8,037

[1] Includes amounts owed by the Government of Canada of $359 million for debt relief arrangements.
[2] Represents the unamortized balance that accrued while the loan was non-performing.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

At December 31, 1995, the Corporation's performing loans receivable carry the following estimated effective yield:

	1995		1994	
	Receivable balance	Effective yield	Receivable balance	Effective yield
	$	%	$	%
	(in millions of dollars)			
Sovereign[1]				
—Fixed	2,830	9.14	3,030	9.27
—Floating[2]	2,286	7.24	2,047	6.32
Subtotal	5,116		5,077	
Commercial[1]				
—Fixed	1,268	9.47	995	9.12
—Floating[2]	1,631	6.65	1,231	7.01
Subtotal	2,899		2,226	
Total performing	8,015		7,303	

[1] All yields are computed on a weighted average of the respective receivable balances.
[2] Floating interest rates are represented mainly by LIBOR for US dollars and Prime for Canadian dollars.

6. Non-performing loans receivable

The Corporation has $1,895 million non-performing gross loans receivable (1994—$2,598 million) of which $1,792 million is sovereign (1994—$2,508 million) and $103 million is commercial (1994—$90 million). During 1995, non-performing loans in Brazil and Argentina (1994—Poland and Egypt) were reinstated to performing. The largest concentrations of non-performing loans are as follows:

	1995			1994		
	Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest	Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest
	(in millions of dollars)					
Sovereign						
Peru	591	332	7	571	306	6
Cameroon	362	100	41	367	102	11
Brazil				442	48	53
Côte d'Ivoire	254	95	6	264	90	6
Russia	84	25	3			
Argentina				280	77	5
Gabon	78	10	4			
Other	423	103	108	584	131	102
	1,792	665	169	2,508	754	183
Commercial						
Financial institutions	103		52	90		36
Total non-performing	1,895	665	221	2,598	754	219

*Amounts are included in gross loans receivable.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

During 1995, interest not accrued during the year for non-performing loans was $174 million (1994—$185 million). The Corporation received payments, recorded as interest earned, of $116 million in 1995 (1994—$79 million) from loans designated as non-performing.

The largest interest receipts from sovereign borrowers are as noted:

	1995	1994
	(in millions of dollars)	
Brazil	65	20
Argentina	5	12
Egypt		11
Peru	8	9
Gabon	9	8
Kenya	4	
Other	25	19
Total	116	79

7. Allowance for losses on loans

The allowance for losses on loans is as follows:

			1995			1994
	Sovereign	Commercial	Total	Sovereign	Commercial	Total
	(in millions of dollars)					
General allowance	1,000	159	1,159	774	94	868
Specific		97	97		67	67
Total	1,000	256	1,256	774	161	935

During 1995, the Corporation commenced using a classification system for the general allowance for performing sovereign loans based on external credit ratings of countries, and increased the general provisioning rates accordingly to be more consistent with the system employed for the performing commercial loans. In addition, the Corporation has benchmarked its non-performing sovereign loans against the market prices of similar sovereign debt, mainly Brady Bonds, when assessing the carrying value of its non-performing sovereign loans. Cash flow experience and future prospects are also taken into consideration when determining an appropriate general allowance for the non-performing sovereign loans. As a result of these changes, the provision for losses on loans increased by $260 million.

During the year, changes to the allowance for losses on loans are as follows:

	1995	1994
	(in millions of dollars)	
Balance at beginning of year	935	751
Provision for losses on loans	341	140
Interest reversals for non-performing loans	(3)	(3)
Write-offs		
Recoveries		5
Foreign exchange	(17)	42
Balance at end of year	1,256	935

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

8. Loan commitments

The Corporation had undisbursed commitments of $1,854 million (1994—$2,357 million). The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans on a portfolio basis.

Undisbursed commitments are as follows:

	1995		1994	
	Undisbursed balance	Effective yield	Undisbursed balance	Effective yield
	$	%/ spread	$	%/ spread
	(in millions of dollars)			
Sovereign[1]				
—Fixed	454	8.76	783	8.54
—Floating[2]	227	+2.86	323	+2.56
Subtotal	681		1,106	
Commercial[1]				
—Fixed	116	8.72	189	8.79
—Floating[2]	1,057	+1.01	1,062	+0.80
Subtotal	1,173		1,251	
Total	1,854		2,357	

[1] All yields are computed on a weighted average of the respective undisbursed commitment balances.
[2] Spread over floating interest rates represented mainly by LIBOR for US dollars.

9. Insurance and guarantees

The Corporation has insurance policies in force and guarantees outstanding of $6,214 million (1994—$5,054 million) which mature as follows:

	1995	1994
	(in millions of dollars)	
Short-term program	4,000	2,896
Medium-term program		
1995		365
1996	430	327
1997	298	255
1998	113	77
1999	275	231
2000	84	242
2001 and thereafter	1,014	661
Total	6,214	5,054

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

The major concentrations by location of ultimate risk are as follows:

	1995			1994		
	Short-term	Medium-term	Total	Short-term	Medium-term	Total
	(in millions of dollars)					
Mexico	377	10	387	644	17	661
US	1,173	65	1,238	834	34	868
Turkey				67	285	352
Brazil	364	3	367	287	2	289
Malaysia				28	195	223
Japan	353	2	355			
Canada	147	207	354			
Other	1,586	1,927	3,513	1,036	1,625	2,661
Total	4,000	2,214	6,214	2,896	2,158	5,054

Of the $6,214 million (1994—$5,054 million) insurance policies in force and guarantees, the following policy types were supported:

	1995	1994
	(in millions of dollars)	
Credit insurance	4,232	3,028
Performance security	427	572
Surety	204	148
Bulk agriculture	123	313
Foreign investment insurance	872	732
Loan guarantees	356	261
Total	6,214	5,054

Reinsurance of $116 million (1994—$70 million) has been deducted from the insurance policies in force.

10. Recoverable insurance claims and allowance for claims

In 1995, the Corporation paid claims on insurance of $28 million (1994—$47 million), and recovered claims of $8 million (1994—$38 million).

Of the $28 million claim payments in 1995, 96% were related to the short-term program. The largest concentrations of claim payments were in the following countries:

	1995		1994	
	Claims paid	Claims recovered	Claims paid	Claims recovered
	(in millions of dollars)			
Iran			21	23
Algeria			7	
US	12	3	6	2
Cuba	2	2	5	12
Mexico	8	1	3	
Venezuela	3	1		
Canada	1			
Other	2	1	5	1
Total	28	8	47	38

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

During the year, changes to the allowance for claims were as follows:

	1995	1994
	(in millions of dollars)	
Balance at beginning of year	149	111
Provision for claims on insurance	49	40
Claims recovery expenses	(2)	(1)
Re-evaluation of recoverable claims	(13)	(5)
Foreign exchange	(2)	4
Balance at end of year	181	149

11. Loans payable

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long-term debt instruments are issued by the Corporation in Canadian dollars, US dollars and other currencies. The Corporation utilizes currency swaps to convert foreign denominated fixed rate notes primarily to US dollars. Interest rate swaps are utilized to convert fixed rate instruments to floating rates primarily related to LIBOR.

Total loans payable mature as follows:

			1995	1994
	Fixed	Float	Total	Total
	(in millions of dollars)			
Within 12 months:	273	1,759	2,032	1,447
1996				1,031
1997	270	491	761	512
1998	688	970	1,658	1,542
1999	751	68	819	842
2000	273	198	471	461
2001 and thereafter	520	1,341	1,861	1,825
Total	2,775	4,827	7,602	7,660
1995 Effective Yield[1]	7.16 %	5.4 %		
1994 Effective Yield[1]	7.47 %	5.32 %		

[1] The yields are calculated after taking into consideration the effect of swap contracts.

12. Share capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 8.5 million (1994—8.1 million). During 1995, the Corporation issued 380 thousand shares (1994—250 thousand).

13. Related party transactions

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged in conjunction with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to multilateral agreements to provide debt relief by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

It is Management's opinion that loans to sovereign governments are considered collectible unless they are formally repudiated by the debtors. However, indefinite delays in repayment of principal and interest may have to be accepted.

During 1995, the Corporation received from the Government of Canada $374 million (1994—$15 million), for principal and interest, and recognized revenue of $11 million in 1995 (1994—$151 million) pursuant to debt relief arrangements.

14. Foreign currency balances

The Corporation has substantial assets and liabilities in US dollars and in other currencies. The Canadian dollar equivalent after taking into consideration foreign exchange contracts is as follows:

	1995	1994
	(in millions of dollars)	
Deutsche Marks		
Assets	443	333
Liabilities	591	469
Net exposure (Asset (Liability))	(148)	(136)
Rate of exchange DM 1.00	0.9520	0.9053
European currency units		
Assets	275	259
Liabilities	174	170
Net exposure (Asset (Liability))	101	89
Rate of exchange ECU 1.00	1.7503	1.7191
British Pounds		
Assets	153	52
Liabilities	149	52
Net exposure (Asset (Liability))	4	
Rate of exchange GBP 1.00	2.1202	2.1961
US dollars		
Assets	7,289	7,428
Liabilities	7,140	7,361
Net exposure (Asset (Liability))	149	67
Rate of exchange US 1.00	1.3652	1.4028
Other currencies		
Assets	19	5
Liabilities	19	
Net exposure (Asset (Liability))		5

EXPORT DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Concluded*

15. Financial instruments with off-balance sheet risk

In any financial transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counterparty fails to perform an obligation as agreed causing the other party to incur a financial loss, or price risks where an exposure exists as a result of changes in any of foreign exchange rates, interest rates and market risks.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having original credit ratings of "A" for terms of three years and under, and "AA" for terms greater than three years. Internal policies and procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties due to the control procedures in place.

The breakdown of counterparty exposure for off-balance sheet items is as follows:

	1995	1994
	(in millions of dollars)	
High investment grade, > A	343	242
Medium investment grade, = A	84	107
Total	427	349

To limit its exposure to risk and reduce its funding cost, the Corporation uses hedges and off-balance sheet derivative financial instruments. Financial instruments, mainly in US dollars with contractual or notional principal amounts outstanding as at December 31, 1995 are as follows:

	1995	1994
	(in millions of dollars)	
Foreign exchange contracts	1,331	1,640
Currency swaps	2,215	1,684
Interest rate swaps	2,706	2,464
Interest rate caps sold, exposure until 1998 (US$)	350	350
Interest rate options written, exposure to 1998 (US$)	600	800
Forward rate agreements	20	10

Credit losses inherent in the hedges, derivative financial instruments ($427 million) and investments ($1,225 million) have been estimated not to exceed $20 million. Accordingly, an allowance for credit loss of $20 million (1994—$13 million) has been established. This amount is included in accounts payable.

16. Accounts administered for Canada

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and contingent liability programs entered into under the authority of the Minister for International Trade with the concurrence of the Minister of Finance for which the Board of Directors is only responsible for the management and administration of the program. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $2,812 million (1994—$2,641 million).

(b) Statutory limits, loan and loan commitments, and contingent liability programs in force.

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance and other agreements up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,296 million (1994—$4,134 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of $16 million (1994—$14 million).

FARM CREDIT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for loan impairment and the valuation of real estate acquired in settlement of loans, that are necessarily based on management's estimates and judgement.

The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which includes a majority of Directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis, and the auditors have full and free access to the Audit Committee.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.

C. Gerald Penney
President and Chief Executive Officer

Marie-Josée Bourassa
Vice-President and Controller

Regina, Canada

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE AND AGRI-FOOD

I have audited the balance sheet of Farm Credit Corporation as at March 31, 1996, and the statements of operations and deficit and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an audit opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996, and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for loans and the related allowance for loan impairment as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Farm Credit Corporation Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 17, 1996

FARM CREDIT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Cash and temporary investments (Note 4)	198,946	262,868
Accounts receivable	28,656	6,278
Long-term investments (Note 5)	61,916	102,884
Net loans receivable (Notes 6 and 7)	3,922,554	3,409,837
Real estate acquired in settlement of loans (Note 8)	153,468	196,651
Equipment and leasehold improvements	5,895	7,747
	4,371,435	3,986,265

LIABILITIES	1996	1995
Accounts payable and accrued liabilities	21,934	17,371
Short-term notes (Note 9)	456,369	503,735
Payments held for real estate (Note 10)	7,556	12,019
Provision for employee termination benefits	4,905	4,016
Deferred loan fees	4,888	5,082
Loans payable (Note 11)	3,455,952	3,084,455
	3,951,604	3,626,678
EQUITY		
Contributed capital (Note 1)	1,118,333	1,118,333
Deficit (Note 3)	(698,502)	(758,746)
	419,831	359,587
	4,371,435	3,986,265

The accompanying notes are an integral part of the financial statements.

Approved:

C. GERALD PENNEY
President and Chief Executive Officer

DONALD W. BLACK
Chair

FARM CREDIT CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Interest income		
Loans receivable	357,440	325,617
Investment income	22,044	22,767
	379,484	348,384
Interest expense	274,299	249,159
Net interest income	105,185	99,225
Charge for loan impairment (Note 7)	12,146	9,739
Net interest income after charge for loan impairment	93,039	89,486
Lease and real estate income		
Lease and other revenue	28,033	30,620
Operating expenses	3,524	4,075
Interest expense	13,219	17,970
Net lease and real estate income	11,290	8,575
Other income	4,858	6,936
Income before non-interest expenses	109,187	104,997
Administrative expenses	67,271	60,234
Income taxes—Large corporations tax (Note 13)	1,546	2,053
Net income for the year	40,370	42,710
Deficit at beginning of the year (Note 3)	(734,872)	(801,456)
Dividends (Note 1)	(4,000)	
Deficit at end of the year	(698,502)	(758,746)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Net income for the year	40,370	42,710
Items not involving cash		
Charge for loan impairment	12,146	9,739
Change in accrued interest receivable	(26,586)	6,469
Change in accrued interest payable	(340)	5,083
Other	(12,455)	(852)
Cash provided by operating activities	13,135	63,149
Investing activities		
Long-term investments	40,968	(38,488)
Loans receivable disbursed	(1,332,700)	(632,923)
Loans receivable repaid	850,306	395,599
Proceeds from disposal of real estate	55,300	44,239
Other	(6,999)	(3,893)
Cash used in investing activities	(393,125)	(235,466)
Financing activities		
Loans from Canada	220,000	302,000
Loans repaid to Canada	(356,089)	(354,004)
Loans from capital markets	707,546	328,567
Loans repaid to capital markets	(204,023)	(99,259)
Change in short-term notes	(47,366)	(11,195)
Dividends paid	(4,000)	
Cash provided by financing activities	316,068	166,109
Decrease in cash and temporary investments	(63,922)	(6,208)
Cash and temporary investments at beginning of the year	262,868	269,076
Cash and temporary investments at end of the year	198,946	262,868

The accompanying notes are an integral part of the financial statements.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS

1. The Corporation

(a) Authority and objectives

Farm Credit Corporation (the "Corporation") was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act.*

On April 2, 1993 the *Farm Credit Corporation Act* was proclaimed into law and replaced the *Farm Credit Act* and the *Farm Syndicates Credit Act*, both of which were repealed. The Act continues the Farm Credit Corporation with its Corporate Office in Regina, Saskatchewan, under an expanded mandate that includes broader lending and administrative powers.

The Corporation's role is to deliver specific programs of the Government of Canada on a cost-recovery basis and enhance rural Canada by providing specialized and personalized financial services to farming operations, including family farms, and those businesses in rural Canada that are related to farming.

(b) Contributed capital

Contributed capital of the Corporation constitutes capital payments received from the Government of Canada. As at March 31, 1996, the statutory limit is $1,125 million (1995—$1,125 million).

(c) Dividends

On May 25, 1995, the Corporation's Board of Directors declared a dividend in the amount of $4 million which was paid on September 30 to the Corporation's sole shareholder, the Government of Canada.

(d) Limits on borrowing

The *Farm Credit Corporation Act* restricts the total of direct and contingent liabilities to 12 times the equity of the Corporation. This limit can be increased to 15 times the equity with the prior approval of the Governor in Council.

At March 31, 1996, the Corporation's total liabilities were 9.4 times the equity of $419.8 million (1995—10.1 times the equity of $359.6 million).

2. Significant accounting policies

(a) Investments

Investments comprise the balance sheet categories of temporary investments and long-term investments. Interest revenue, gains and losses on disposal, amortization of premiums and discounts, and write-downs to market value are reported in investment income.

Temporary investments are acquired primarily for the purposes of liquidity and are intended to be held for less than one year. Where the market value has declined significantly, temporary investments are written down to market value.

Long-term investments are acquired primarily for the purposes of asset/liability management and are intended to be held to maturity. Long-term investments are carried at cost, adjusted for the amortization of premiums or discounts over the term to maturity.

(b) Net loans receivable

Net loans receivable are stated net of unearned income and allowance for loan impairment. Loans are classified as impaired when:

(i) principal or interest is 90 days past due, unless the loan is well secured and in the process of collection, or

(ii) circumstances indicate doubt as to the ultimate collection of principal or interest.

Interest income is recorded on the accrual basis until such time as management determines that a loan be specifically classified as impaired. When a loan is specifically classified as impaired, the carrying amount is reduced to its estimated realizable amount. All payments on the loan are credited against the recorded investment in the loan. Changes in the estimated realizable amount arising subsequent to initial impairment are reflected as a charge or credit for loan impairment. The loan reverts to accrual status when all charges for loan impairment are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured.

Loan fees received as compensation for the alteration of lending agreements are considered an integral part of the yield earned on the loans. Such loan fees are amortized to interest income over the average remaining term of the loans. Other loan fees are recorded as other income on the same basis as the related costs.

(c) Allowance for loan impairment

The allowance for loan impairment represents management's best estimate of probable credit losses on the loans receivable in light of current conditions. It has a specific and a general component.

Based on a loan-by-loan review, the specific component is established to value impaired loans at the lower of their recorded investment or the estimated net realizable amount of their underlying security. Estimated realizable amounts are determined as the fair value of the underlying security of the loans, taking into account the estimated time and costs required to realize the security.

The general component, which is prudential in nature, is established in respect of loans for which impairment has not been specifically identified. In establishing the general component of the allowance, management models historic portfolio migration trends and loss percentages and applies them to loans receivable balances categorized into risk pools. As a single industry lender, the Corporation is particularly subject to adverse economic trends and other risks and uncertainties affecting certain agricultural regions or sectors. Accordingly, management also considers the impact of specific factors, such as land value trends, federal and provincial government programs, international trade negotiations, future commodity prices and climatic conditions, in establishing the general component of the allowance. However, future agricultural and economic conditions are not predictable with certainty and, therefore, actual loan losses may vary from management's estimate.

The allowance is increased by charges for loan impairment and reduced by write-downs on real estate acquisitions and loan write-offs net of recoveries.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

(d) Real estate acquired in settlement of loans

Real estate, whether held for the production of income through leasing or held for sale, is initially recorded at the lower of the recorded investment in the foreclosed loan and the fair value of the underlying security at the time of acquisition. The fair value of the security is the amount which could be realized in an arm's length disposition considering the estimated time required to realize the security, the estimated costs of realization and any amounts legally required to be paid to the borrower.

Subsequent to acquisition, real estate leased for the production of income is carried at the fair value recorded on acquisition and is not written down for declines in the estimated fair value unless they are significant and permanent.

The carrying value of real estate held for sale is adjusted to reflect significant changes in the estimated fair value subsequent to acquisition.

Lease and other revenues from real estate are recorded when earned. Gains and losses arising from the disposal of real estate are included as a component of lease and other revenues.

(e) Farm Debt Review process

Amounts received from the Government of Canada on behalf of farmers for concessions granted by the Corporation under the Farm Debt Review process are applied as if they had been received directly from the farmers.

(f) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the equipment and leasehold improvements. Management has revised its estimate of the useful life of computer equipment and software and has prospectively decreased the amortization period from five years to three years. All unamortized balances as at April 1, 1995, and any purchases thereafter will be amortized according to the following methods and terms:

	Methods	Terms
Office equipment and furniture	Declining balance	20%/annum
Computer equipment and software	Straight-line	3 years
Automobiles	Straight-line	4 years
Leasehold improvements	Straight-line	Lease term plus the first renewal option.

(g) Translation of foreign currencies

Loans and related interest payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are amortized on a straight-line basis and applied to interest expense over the lives of the obligations.

(h) Financial instruments

In order to reduce interest rate risk and funding costs, the Corporation uses various types of off-balance sheet financial instruments such as currency and interest rate swaps, forwad rate agreements and purchased options. These instruments are used solely for hedging, not speculative, purposes. The cost of these instruments is amortized on a straight-line basis over the lives of the underlying instruments and reported as interest expense. Gains or losses from transactions are recognized in income on the same basis as the hedged item.

(i) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

(j) Employee termination benefits

On termination of employment, employees are entitled to benefits provided for under their terms of employment. The liability for these benefits is recorded as they accrue to the employees or settlements are reasonably determinable.

(k) Income taxes

The Corporation follows the tax allocation method of providing for income taxes. The cumulative differences between tax calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has deferred income tax benefits which have not been recorded and will only be recognized when realized.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

3. Change in accounting policy

(a) The Corporation has adopted the new accounting recommendations for impaired loans which came into effect on April 1, 1995. The two most significant policy changes resulting from these recommendations relate to the measurement of loan impairment and income recognition. The changes and their impacts on prior periods are as follows:

	(in thousands of dollars)
(i) Measurement of loan impairment: Where circumstances indicate doubt as to the ultimate collection of principal and interest, the carrying amount of the loan is reduced to its estimated realizable amount. The estimated realizable amount is determined as the fair value of the underlying security of the loan, taking into account the estimated time and costs required to realize the security. Previously, the time required to realize the security was not considered.	
Cumulative prior period charge:	(10,257)
(ii) Income recognition: An impaired loan returns to accrual status when all charges for loan impairment are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured. Impaired loans previously did not return to accrual status until arrears were eliminated and, in certain circumstances, the loan was current for two years.	
Cumulative prior period recovery:	34,131
Total cumulative net prior period adjustment:	23,874

The effect of the change on 1996 net income is not determinable.

(b) Restatement of prior period comparative figures is not practical due to the unavailability of data. Accordingly, the April 1, 1995, opening deficit has been restated to give effect to the cumulative net prior period adjustment as follows:

	1996	1995
	(in thousands of dollars)	
Deficit at beginning of the year, as previously stated	(758,746)	(801,456)
Add: Adjustment for cumulative effect on prior years of retroactive implementation of the new accounting recommendations for impaired loans	23,874	
Deficit at beginning of the year, as restated	(734,872)	(801,456)

4. Cash and temporary investments

	Stated interest rate	1996	1995
	%	(in thousands of dollars)	
Cash and temporary investments	4.93 -7.25	197,564	260,482
Accrued interest		1,382	2,386
		198,946	262,868

At March 31, 1996, the market value of cash and temporary investments, including accrued interest, was $199.2 million (1995—$262.6 million).

5. Long-term investments

	Stated interest rate	1996	1995
	%	(in thousands of dollars)	
Long-term investments maturing within			
—1 year			15,221
—1-5 years	6.50-10.75	58,012	83,433
—Over 5 years	7.50	3,266	3,235
		61,278	101,889
Accrued interest		638	995
		61,916	102,884

At March 31, 1996, the market value of long-term investments, including accrued interest, was $62.3 million (1995—$99.0 million).

At March 31, 1996, the weighted average yield to maturity of long-term investments was 6.89% (1995—7.00%).

6. Net loans receivable

	Stated interest rate	1996	1995
	%	(in thousands of dollars)	
Loans secured by			
—Mortgages	5.00-15.00	3,621,007	3,453,220
—Chattels	6.75-11.90	163,705	
—Notes	6.75-14.62	134,398	7,216
		3,919,110	3,460,436
Accrued interest—Current		100,109	65,419
—Arrears		13,646	9,882
		4,032,865	3,535,737
Recorded investment in loans specifically identified as impaired secured by			
—Mortgages	5.00-12.38	31,726	
—Chattels	8.25-11.00	1,134	
—Notes	7.13-10.13	529	
		33,389	
Less: allowance for loan impairment (Note 7)		(143,700)	(125,900)
		3,922,554	3,409,837

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

At March 31, 1996, the weighted average effective rate of loans receivable was 9.60% (1995—9.60%).

Loans receivable at March 31, 1995, are shown net of accumulated interest on non-accrual loans of $34.1 million and have not been restated to reflect the adoption of new accounting recommendations for impaired loans (see Note 3).

As at March 31, 1996, loans to farmers and agri-businesses approved but not disbursed amounted to $177 million (1995—$88 million). These loans were approved at interest rates from 6.75% to 11.375% and do not form part of the net loans receivable balance until disbursed. It is expected that the majority of these loans will be disbursed by June 30, 1996.

7. Allowance for loan impairment

	1996	1995
	(in thousands of dollars)	
Balance at beginning of the year, as previously stated	125,900	126,500
Adjustment for cumulative effect on prior years for retroactive implementation of the new accounting recommendations for impaired loans	10,257	
Balance at beginning of the year, as restated	136,157	126,500
Write-offs, net of recoveries	(4,603)	(4,696)
Charge for loan impairment	12,146	9,739
Adjustment on portfolio acquisition		(5,643)
Balance at end of the year	143,700	125,900
Specific allowance	8,000	3,800
General allowance	135,700	122,100
Balance at end of the year	143,700	125,900

As at March 31, 1996, the total recorded investment in loans receivable against which a specific allowance has been identified was $33.4 million. The general allowance was established against the remaining $4,032.9 million investment in loans receivable.

8. Real estate acquired in settlement of loans

	1996	1995
	(in thousands of dollars)	
Balance at beginning of the year	196,651	221,568
Acquisitions	7,958	12,668
Disposals	(42,023)	(37,585)
WGTA reduction	(9,118)	
Balance at end of the year	153,468	196,651

Real estate under long-term maturing:

	1996	1995
	(in thousands of dollars)	
within 1 year	1,360	65,878
from 1-2 years	61	983
from 2-3 years	344	
from 3-4 years	98,039	
from 4-5 years	52,642	110,125
in five years and beyond	1,204	
	153,650	176,986
Real estate held for sale	8,936	19,665
WGTA reduction	(9,118)	
	153,468	196,651

Real estate represents farm property acquired in the process of administering loans receivable.

Real estate under long-term lease may be subject to renewal at the expiry of the original lease term. Leases reprice annually.

Payments received from the elimination of the *Western Grain Transportation Act* (*WGTA*) subsidy and retained by the Corporation have been recorded as a reduction of the carrying value of the associated property.

Future expected lease receipts, using current lease rates, receivable within:

	(in thousands of dollars)
—1 year	12,582
—1-5 years	36,064
	48,646

9. Short-term notes

	Stated interest rate	1996	1995
	%	(in thousands of dollars)	
Short-term notes payable within one year	4.92-6.65	451,737	495,794
Accrued interest		4,632	7,941
		456,369	503,735

At March 31, 1996, the market value of short-term notes, including accrued interest, was $457 million (1995—$502 million).

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

10. Payments held for real estate

	1996	1995
	(in thousands of dollars)	
Agri-Land Investment Fund	4,754	7,980
Downpayments on real estate sales	2,802	4,039
	7,556	12,019

The Corporation may, through equity-building lease programs, lease real estate acquired in settlement of loans back to the former owner ("the lessee"). In addition to lease payments, the lessee accumulates funds over the term of the lease by making additional payments to the Corporation. At the discretion of the lessee, these additional payments may then be applied against the purchase of real estate from the Corporation.

11. Loans payable

	Stated interest rate	1996	1995
	%	(in thousands of dollars)	
Loans from Canada, secured by notes	6.29-10.21	2,115,025	2,251,114
Loans from capital markets, secured by notes payable in			
Canadian dollars	5.25-9.00	896,273	491,606
US dollars ($275,000,000)	5.21-7.75	378,210	274,950
		3,389,508	3,017,670
Accrued interest		66,444	66,785
		3,455,952	3,084,455

At March 31, 1996, the weighted average yield to maturity of loans payable was 7.87% (1995—8.12%).

The annual interest rates and yield to maturity disclosed above are net of currency swaps (see Note 12), which are used to convert borrowings to Canadian dollar obligations.

Amounts due :

within 1 year	511,219	463,941
from 1-2 years	680,964	536,851
from 2-3 years	716,420	613,996
from 3-4 years	325,802	470,425
from 4-5 years	435,130	262,749
in five years and beyond	719,973	669,708
	3,389,508	3,017,670
Accrued interest	66,444	66,785
	3,455,952	3,084,455

At March 31, 1996, the total interest expense recognized on loans payable (including interest expense allocated to lease and real estate income) was $254 million (1995—$245 million).

12. Off-balance sheet financial instruments

The Corporation uses hedges and derivative financial instruments with off-balance sheet risk to manage exposures to interest rate and foreign exchange fluctuations and to reduce funding costs.

The contractual (notional) Canadian dollar principal amounts of financial instruments outstanding at March 31, 1996, were as follows:

	1996	1995
	(in thousands of dollars)	
Currency swaps	514,260	415,110
Interest rate swaps	160,000	138,000
Forward rate agreements		212,661
Purchased options	380,000	10,000
	1,054,260	775,771

13. Income taxes

(a) Timing differences of approximately $79 million are available to the Corporation as at March 31, 1996. These have not been recognized in the accounts since they will not be used in the foreseeable future. They result primarily from differences between the charge for loan impairment charged to operations and the amount claimed for income tax purposes.

In addition, the loss carry-forward for income tax purposes, which has not been recognized in the financial statements, amounts to $591 million and expires on the dates indicated:

	(in thousands of dollars)
March 31, 1997	108,000
1999	270,000
2001	143,000
2003	70,000
	591,000

(b) Income taxes payable by the Corporation relate to the Large Corporations Tax, which may be offset against any current or future surtaxes payable. The Corporation has no surtax currently payable.

FARM CREDIT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS—*Concluded*

14. Operating leases

Future minimum payments on operating leases for premises, with initial non-cancellable lease terms in excess of one year, are due as follows:

	(in thousands of dollars)
within 1 year	5,229
from 1-2 years	4,544
from 2-3 years	4,047
from 3-4 years	3,666
from 4-5 years	2,966
in five years and beyond	2,492
	22,944

These leases generally provide for payment by the Corporation of real estate taxes and operating expenses in excess of the amounts established at the commencement of the lease term.

15. Government programs

Net Income Stabilization Accounts

In March, 1996, the Corporation received approval from the Minister of Agriculture and Agri-Food to become an eligible financial institution for administering Net Income Stabilization Accounts (NISA). The Corporation began accepting NISA investments from Canadian farmers in May 1996.

Western Grain Transportation Act

The Corporation will receive an estimated $15.5 million transition payment as a result of the elimination of the *Western Grain Transportation Act* (*WGTA*) announced in the February 27, 1995 federal budget. The Corporation established a two-part program to share the transition proceeds with its clients. Clients can benefit from only one part of the program and proceeds will be forwarded when received from the Western Grain Transition Payments Program (WGTPP).

(a) Clients who purchased land after February 27, 1995, will receive 100% of the WGTPP proceeds associated with the property purchased-provided the sale was completed prior to January 1, 1996.

(b) Clients who are former owner/tenants will receive 12.5% of the WGTPP proceeds associated with land leased in 1995 and 12.5% of the proceeds associated with land leased in 1996. The maximum payout associated with any parcel of land under lease is 25% of the WGTPP proceeds associated with the parcel.

Farm Debt Review Act

During the year, the Minister of Agriculture and Agri-Food was authorized to make contributions to farmers, payable to the Corporation. These payments are based on concessions that the Corporation has granted to farmers under arrangements made pursuant to the *Farm Debt Review Act*. The Corporation is reimbursed at the time farmers realize the benefits of the concessions, which may be over a period as long as five years. These concessions cease if the farmers fail to meet their commitments.

Since the inception of the Farm Debt Review process, the Corporation has offered $279 million in concessions and billed $276 million to the Government of Canada, of which $8 million was billed in the current year. The committed difference of $3 million will become due and be received over the next three years as farmers meet their commitments and thereby realize the benefits of the concessions.

Government funding for new concessions under the *Farm Debt Review Act* ceased effective March 31, 1994.

Commodity-Based Loans

Net loans receivable at March 31, 1996, included $241 million of loans under the Commodity-Based Loans program. In 1996, the Corporation received $9.9 million from Agriculture and Agri-Food Canada as compensation for concessions made under the program. Concessions relate to preferential interest rates provided to borrowers under the program and cease when the related loans are retired. The program has not been available for new lending since 1989.

16. Comparative figures

Certain 1995 comparative figures have been reclassified to conform with the presentation adopted in 1996.

FRESHWATER FISH MARKETING CORPORATION

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of a majority of Directors who are not employees of the Corporation. The Audit Committee meets regularly with management and the auditors, who have full and free access to the Audit Committee.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.

Tom Dunn
President

Gabriella Bradics
Controller

Winnipeg, Canada

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1996 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and by-Laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 31, 1996

FRESHWATER FISH MARKETING CORPORATION—*Continued*

BALANCE SHEET AS AT APRIL 30, 1996
(in thousands of dollars)

ASSETS	1996	1995	LIABILITIES	1996	1995
Current			Current		
Accounts receivable (Note 3)	5,020	5,277	Bank indebtedness and loans (Note 7)	1,606	474
Inventories (Note 4)	7,807	4,413	Working capital loans (Note 8)	9,448	6,511
Prepaid expenses	82	138	Accounts payable and accrued liabilities (Note 9)	5,377	6,320
	12,909	9,828		16,431	13,305
Loan receivable (Note 5)	136				
Capital assets (Note 6)	7,539	7,630			
			RETAINED EARNINGS		
			Retained earnings	4,153	4,153
	20,584	17,458		20,584	17,458

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

SAM MURDOCH
Director

WILLIAM MONKMAN
Director

FRESHWATER FISH MARKETING CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED APRIL 30, 1996
(in thousands of dollars)

	1996	1995
Operations		
Sales (Note 10)		
Export	37,235	33,403
Domestic	9,881	10,282
	47,116	43,685
Cost of sales		
Opening inventory of finished fish products	3,546	2,771
Add: fish purchases and processing expenses		
Initial payments to fishermen	29,708	24,345
Salaries, wages and benefits	5,036	4,402
Packing allowances and agency operating costs	4,225	3,619
Packaging and storage	2,333	1,508
Utilities and property taxes	1,033	1,011
Amortization of production assets	970	937
Repairs and maintenance	686	570
Fishermen's U.I.C. premiums	594	500
Other	(74)	46
	48,057	39,709
Less: ending inventory of finished fish products	6,703	3,546
	41,354	36,163
Gross profit on operations	5,762	7,522
Marketing and administrative expenses		
Salaries and benefits	1,099	947
Interest (Note 11)	681	418
Data processing, office and professional services	498	857
Advertising and promotion	249	217
Amortization of administration assets	193	241
Bad debts	116	164
Meetings fees and expenses	71	81
Other	107	79
	3,014	3,004
Income before provision for final payments to fishermen	2,748	4,518
Provision for final payments to fishermen (Note 9)	2,748	4,518
Net income for the year (Note 12)		
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	4,153	4,153

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED APRIL 30, 1996
(in thousands of dollars)

	1996	1995
Cash provided by (used for)		
Operating activities		
Net income for the year		
Add (deduct) items not affecting cash		
Amortization	1,226	1,178
Gain on sale of capital assets	(57)	(17)
Net changes in non-cash working capital balances relating to operations	(2,602)	(1,404)
Cash used for operations	(1,433)	(243)
Investing activities		
Additions to capital assets	(1,347)	(1,526)
Decrease in loan receivable	211	89
Proceeds on sale of capital assets	270	80
Cash used for investing activities	(866)	(1,357)
Financing activities		
Increase (decrease) in bank loans	3,699	(119)
Increase (decrease) in working capital loans from Canada	(1,000)	500
Cash provided by financing activities	2,699	381
Increase (decrease) in provision for final payments to fishermen	(1,770)	1,434
Increase (decrease) in cash during the year	(1,370)	215
Bank indebtedness at beginning of year	(11)	(226)
Bank indebtedness at end of year	(1,381)	(11)

The accompanying notes are an integral part of the financial statements.

FRESHWATER FISH MARKETING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1996

1. Authority, objectives and operations

The Corporation was established by the *Freshwater Fish Marketing Act* (the Act) in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Schedule III, Part I of the *Financial Administration Act* and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventories

Finished fish products are recorded at the actual cost of fish purchases and the average actual cost for direct labour and overhead directly related to processing for the year. At year end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	5-10%
	—Plants	Straight-line	2 1/2%
Equipment	—Machinery and office equipment	Declining balance	10-40%
	—Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishermen and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishermen, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are expensed on a current year basis, and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Accounts receivable

	1996	1995
	(in thousands of dollars)	
Trade	4,534	4,296
Other	404	552
Current portion of loan receivable	82	429
	5,020	5,277

4. Inventories

	1996	1995
	(in thousands of dollars)	
Finished fish products	6,703	3,546
Packaging material and supplies	1,104	867
	7,807	4,413

5. Loan receivable

The loan receivable is secured by various capital assets and matures in January 1999.

6. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	258		258	272
Buildings	7,029	4,208	2,821	2,803
Equipment	14,940	11,453	3,487	3,132
Fresh fish delivery tubs	844	369	475	310
Vessels	261	149	112	144
Construction in progress	386		386	969
	23,718	16,179	7,539	7,630

FRESHWATER FISH MARKETING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1996—*Concluded*

7. Bank indebtedness and loans

	1996	1995
	(in thousands of dollars)	
Bank indebtedness	1,381	11
Demand loan	225	
Term loan		463
	1,606	474

8. Working capital loans

	1996	1995
	(in thousands of dollars)	
Promissory notes	5,448	5,511
Bankers acceptances	4,000	
Working capital loans from Canada		1,000
	9,448	6,511

The working capital loans from Canada are made under Section 16(1) of the Act and are secured by promissory notes.

9. Accounts payable and accrued liabilities

	1996	1995
	(in thousands of dollars)	
Trade	1,735	982
Other	894	820
Provision for final payments to fishermen	2,748	4,518
	5,377	6,320

10. Sales commissions

During the year, the Corporation paid commissions of $670,103 (1995—$607,069) to sales agents, which were netted against sales. Included in that amount are $594,308 (1995—$550,399) of commissions paid to the following foreign sales agents: Juhl Brokerage Incorporated, G. & G. Food, R.M. Sloan Co., Benolken Brokerage Company, X. Sea. Lnt International Corp., Performance Foods, Great Lakes Marketing, McMahon & MacDonald Food Brokers, D.B. Clark Sales, Hockenberg Newburgh Sales & Marketing - United States; I. LeGrand H. Malo et Cie - France; Lejos Oy - Finland; Rud Kanzow Gmbh & Co. - Germany; Bo E Sjostrom Trading AB - Sweden.

11. Interest expense

	1996	1995
	(in thousands of dollars)	
Interest on working capital loans from Canada	214	133
Interest on bank loans	403	355
(Gain) loss on foreign exchange	(17)	(31)
Interest expense (income)	81	(39)
	681	418

12. Income taxes

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1996 the excess of undepreciated capital cost over net book value of capital assets amounted to $1,605,800 (1995—$1,205,419) which can be used to reduce future years' taxable income.

13. Comparative figures

Certain 1995 comparative figures have been reclassified to reflect the presentation adopted in 1996.

GREAT LAKES PILOTAGE AUTHORITY, LTD.

MANAGEMENT REPORT

The Great Lakes Pilotage Authority, Ltd. management is responsible for the preparation, integrity and fair presentation of the financial statements and other information in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgement in establishing reasonable and accurate estimates in accordance with generally accepted accounting principles applied on a consistent basis and as appropriate in the circumstances. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

The Authority's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that the company assets are adequately accounted for and safeguarded. The Board of Directors which is also the Audit Committee is comprised of Directors who are not employees of the Authority. The Directors oversee the company's systems of internal accounting and administration control.

The external auditor, the Auditor General of Canada, is appointed under the *Pilotage Act* as the Auditor and has audited the financial statements according to generally accepted auditing standards. His report outlines the nature of the audit and expresses his opinion on the financial statements of the company.

R. G. Armstrong,
Chairman & Chief Executive Officer.

R. F. Lemire,
Secretary/Treasurer.

Cornwall, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Great Lakes Pilotage Authority, Ltd. as at December 31, 1995 and the statements of operations, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Authority.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
January 26, 1996

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash and short-term deposits	3,211,272	5,109,124
Accounts receivable	2,248,205	2,472,389
	5,459,477	7,581,513
Segregated investments (Note 4)	2,757,491	
Capital assets (Note 5)	71,752	45,206
	8,288,720	7,626,719

LIABILITIES	1995	1994
	$	$
Current		
Accrued salaries and benefits	2,527,740	3,162,505
Other accounts payable and accrued charges	265,747	178,952
Accrued employee termination benefits	116,588	112,997
	2,910,075	3,454,454
Long-term		
Accrued employee termination benefits	2,376,833	2,512,415
	5,286,908	5,966,869
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—50 shares		
Issued and fully paid—15 shares	1,500	1,500
Contributed capital	82,074	82,074
Retained earnings	2,918,238	1,576,276
	3,001,812	1,659,850
	8,288,720	7,626,719

Commitments (Note 6).

Approved by the Board:

R. G. ARMSTRONG
Director

G. ST. MARSEILLE
Director

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Continued*

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Balance, beginning of the year	1,576,276	(2,407,676)
Parliamentary appropriation to finance:		
1993 cash operating loss (Note 3)		647,667
Net profit for the year	1,341,962	3,336,285
Balance, end of the year	2,918,238	1,576,276

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenues		
Pilotage charges	10,900,568	13,782,853
Interest and other income	323,997	91,574
Dispatching and pilot boat income	70,105	58,550
Life insurance experience gain	23,101	21,610
	11,317,771	13,954,587
Expenses		
Pilots' salaries and benefits	7,059,243	7,831,510
Transportation and travel	817,167	936,077
Operation staff salaries and benefits	698,154	618,171
Pilot boat services (Note 7)	427,786	325,172
Administration staff salaries and benefits	341,647	365,046
Employee termination benefits	148,791	131,251
Professional and special services	135,203	139,209
Communications	68,632	65,978
Utilities, materials and supplies	56,296	44,769
Rentals	50,415	41,979
Retired employee benefits	49,080	50,460
Purchased dispatching services	42,838	37,083
Amortization	24,682	16,432
Retiring incentives	22,500	
Pilot training costs	17,867	1,054
Repairs and maintenance	15,508	14,111
	9,975,809	10,618,302
Net profit for the year	1,341,962	3,336,285

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Cash provided by (used in)		
Operating activities		
Net profit for the year	1,341,962	3,336,285
Items not requiring cash		
Employee termination benefits accrual	148,791	131,251
Amortization	24,682	16,432
Net change in working capital components other than cash and short-term deposits	(323,786)	552,587
Employee termination benefits refunds		8,274
Employee termination benefits payments	(280,782)	(182,851)
	910,867	3,861,978
Financing activities		
Parliamentary appropriation		647,667
Investing activities		
Funding of termination benefits (Note 4)	(2,757,491)	
Increase in capital assets	(51,228)	(7,005)
	(2,808,719)	(7,005)
Increase (decrease) in cash	(1,897,852)	4,502,640
Cash and short-term deposits, beginning of year	5,109,124	606,484
Cash and short-term deposits, end of year	3,211,272	5,109,124

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and is continued under the *Canada Business Corporations Act*. Pursuant to the *Financial Administration Act*, the Authority is a Crown corporation listed in Schedule III Part I thereto. The Authority is a subsidiary of the St. Lawrence Seaway Authority but is deemed to be a parent corporation within the meaning of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is exempt from any income taxes.

2. Significant accounting policies

Parliamentary appropriations

Parliamentary appropriations received to finance the cash deficiency are recorded in the year in which they are voted by Parliament. Any portion of the appropriations pertaining to operating expenditures requiring an outlay of funds is reflected in the statement of retained earnings. Any portion of the appropriations pertaining to the acquisition of capital assets is recorded as contributed capital.

Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. The current liability reflects the accrued termination benefits of only those employees who have indicated their intention to terminate their employment within the coming year.

Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in the Statement of Operations in the year in which they are determined.

Retired employee benefits

The Authority contributes toward medical benefits and life insurance for those retired employees who elect for such coverage. The expense is recorded in the year in which it is incurred.

3. Parliamentary appropriation

The Authority has received in 1994 a parliamentary appropriation of $647,667 in the final Supplementary Estimates for 1993-94 for its cash deficiency arising from 1993 operations.

4. Segregated investments

In order to provide for the funding of future employee termination benefits, the Authority has set aside the following long-term investments, recorded at cost:

	1995	1994
	$	$
Investment Certificates and Treasury Bills with maturity dates in 1996........	2,757,491	

The market value approximates the cost.

5. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land and buildings	63,642	63,327	315	465
Furniture and equipment ..	236,135	164,698	71,437	44,741
	299,777	228,025	71,752	45,206

6. Commitments

The Authority has a lease agreement with the St. Lawrence Seaway Authority for the rental of office space. Future minimum rental payments are:

	$
1996	39,384
1997	40,569
1998	41,779
1999	3,490
	125,222

In addition, the Authority has contract commitments of approximately $332,000 for the pilot boat services for the next year. Tenders have also been requested for some of the land transportation services for the next two years. Expenditures for the services being tendered were approximately $252,000 in 1995.

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

7. Dispatching and pilot boat services to U.S. District No. 1 pilots

The Authority provides all dispatching services and pilot boat services in Port Weller to the U.S. District No. 1 pilots and the U.S. Pilots' Association provides pilot boat services for the Authority in Cape Vincent, New York.

8. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

9. Comparative figures

Some of the 1994 figures were reclassified to conform to the presentation adopted in 1995.

HALIFAX PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1995, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995, and the results of operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

Halifax, Canada
January 26, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994	LIABILITIES	1995	1994
	$	$		$	$
Current			Current		
Cash	295,703	221,148	Accounts payable and accrued liabilities	2,776,045	2,686,639
Investments (Note 3)	9,411,942	8,983,404	Deferred revenues	570,359	556,553
Accounts receivable	2,699,107	2,724,160		3,346,404	3,243,192
Grants in lieu of municipal taxes	122,623	152,875	Accrued employee benefits	666,783	664,308
Materials and supplies	55,518	54,294			
	12,584,893	12,135,881		4,013,187	3,907,500
Accounts receivable	164,210	200,964			
Property and equipment (Note 4)	56,626,424	55,171,073	EQUITY		
			Contributed capital	50,856,865	50,856,865
			Surplus	14,505,475	12,743,553
				65,362,340	63,600,418
	69,375,527	67,507,918		69,375,527	67,507,918

Commitments (Note 5).
Contingent liabilities (Note 6).
See accompanying notes to the financial statements.

On behalf of the Board:

MERVYN C. RUSSELL
Chairman

DAVID F. BELLEFONTAINE
President and Chief Executive Officer

HALIFAX PORT CORPORATION—*Continued*

STATEMENTS OF EARNINGS AND SURPLUS
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenue from operations	12,717,037	11,308,049
Operating and administrative expenses	8,039,970	7,989,290
Depreciation	2,557,231	2,287,905
Grants in lieu of municipal taxes	966,685	921,932
	11,563,886	11,199,127
Earnings from operations	1,153,151	108,922
Investment income	620,087	381,644
Gain (loss) on disposal of fixed assets	(11,316)	5,295
	608,771	386,939
Net earnings	1,761,922	495,861
Surplus, beginning of year	12,743,553	12,247,692
Net earnings	1,761,922	495,861
Surplus, end of year	14,505,475	12,743,553

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Cash derived from (applied to)		
Operating		
Net earnings	1,761,922	495,861
Depreciation	2,557,231	2,287,905
Other	13,791	(55,898)
	4,332,944	2,727,868
Change in non-cash operating working capital	336,534	211,890
	4,669,478	2,939,758
Financing		
Increase (decrease) in accounts receivable	36,754	(19,651)
(Decrease) increase in accounts payable	(140,067)	289,849
	(103,313)	270,198
Investing		
Additions to property and equipment	(4,074,189)	(1,945,765)
Proceeds on disposal of assets	11,117	7,550
	(4,063,072)	(1,938,215)
Net increase in cash and short-term investments	503,093	1,271,741
Cash and short-term investments, beginning of year	9,204,552	7,932,811
Cash and short-term investments, end of year	9,707,645	9,204,552

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Local port corporation

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to Halifax Port Corporation.

2. Summary of significant accounting policies

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

	1995		1994	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Short-term	9,411,942	9,587,000	8,983,404	9,199,000

HALIFAX PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

4. Property and equipment

				1995	1994
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		24,583,111		24,583,111	24,556,740
Dredging	2.5 - 6.7	3,930,094	2,600,882	1,329,212	902,296
Berthing structures	2.5 - 10	35,207,544	22,021,563	13,185,981	13,775,197
Buildings	2.5 - 10	20,313,839	13,190,103	7,123,736	6,588,010
Utilities	3.3 - 10	7,826,888	3,672,426	4,154,462	3,327,633
Roads and surfaces	2.5 - 10	9,670,632	6,920,665	2,749,967	2,572,334
Machinery and equipment	5 - 100	10,554,814	7,746,659	2,808,155	2,802,404
Office furniture and equipment	20	1,519,509	1,294,907	224,602	202,341
Projects under construction		467,198		467,198	444,118
		114,073,629	57,447,205	56,626,424	55,171,073

5. Commitments

In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation is required to pay a dividend, in respect of the 1995 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1996 amounts to approximately $178,500 for 1995 and will be applied against surplus.

6. Contingent liabilities

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has quantified an amount of approximately $2 million. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

7. Marine policy review

The national marine transportation system has been and continues to be under review by the government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act.*

At this time, the impact upon the Corporation is not known.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and all other information presented in this annual report are the responsibility of management and have been reviewed and approved by the Board of Governors of the Centre. The financial statements, which include amounts based on management's best estimates as determined through experience and judgement, have been properly prepared within reasonable limits of materiality and are in accordance with generally accepted accounting principles. Management also assumes responsibility for all other information in the annual report, which is consistent, where applicable, with that contained in the financial statements.

Management maintains financial systems and practices to provide reasonable assurance as to the reliability of financial information and to ensure that assets are safeguarded and the operations are carried out effectively. The Centre has an Internal Audit department whose functions include reviewing internal controls and their application on an ongoing basis.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board benefits from the assistance of its Finance and Audit Committee in overseeing and discharging its financial management responsibility, which includes the review and approval of the financial statements. The Committee, which is made up of Governors, meets with management, the internal auditors, and the external auditors on a regular basis.

The Auditor General of Canada conducts an independent audit in accordance with generally accepted auditing standards. His audit includes appropriate tests and procedures to enable him to express an opinion on the financial statements. The external auditors have full and free access to the Finance and Audit Committee of the Board.

Keith A. Bezanson
President

Raymond J. Audet
Vice-President, Resources,
and Chief Financial Officer

AUDITOR'S REPORT

TO THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
AND THE
MINISTER OF FOREIGN AFFAIRS

I have audited the balance sheet of the International Development Research Centre as at March 31, 1996 and the statements of operations, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1996

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash and investments (Note 3)		
Unrestricted	11,310	9,333
Restricted	25,421	25,957
Accounts receivable	3,483	1,966
Prepaid expenses	1,298	1,602
	41,512	38,858
Other assets		
Capital assets (Note 4)	4,427	5,049
Recoverable deposits	166	165
Endowment funds (Note 5)	208	202
Total assets	46,313	44,274

LIABILITIES	1996	1995
Current		
Accounts payable and accrued liabilities (Note 6)	6,541	9,440
Restructuring liability (Note 8)	4,024	
Deferred contract research revenue (Notes 3 and 7)	11,962	5,217
	22,527	14,657
Other liabilities		
Accrued employee separation benefits	2,635	3,023
Deferred rent—Head Office	394	363
Endowment funds (Note 5)	208	202
Total liabilities	25,764	18,245
EQUITY		
Unrestricted	7,090	5,289
Restricted (Notes 3 and 9)	13,459	20,740
Total equity	20,549	26,029
Total liabilities and equity	46,313	44,274

The accompanying notes form an integral part of the financial statements.

Approved:

KEITH A. BEZANSON
President

RAYMOND J. AUDET
Vice-President, Resources, and Chief Financial Officer

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenue		
Parliamentary grant	96,100	111,908
Contract research projects (Note 7)	16,547	16,254
Investment income	2,562	2,322
Other income	492	642
Total revenue	115,701	131,126
Expenses		
Development-research activities		
Project grants	61,337	73,505
Contract research projects (Note 7)	16,547	16,254
	77,884	89,759
Research-related activities		
Technical support	10,848	12,109
Information dissemination and library	4,969	5,406
	15,817	17,515
Research operational support		
Regional offices	5,930	6,273
Branch management	4,568	4,773
	10,498	11,046
Total research and related expenses	104,199	118,320
General management expenses	12,805	12,886
Contract research overhead recovered (Note 7)	(1,323)	(1,176)
Total expenses	115,681	130,030
Excess of revenue over expenses before restructuring costs	20	1,096
Restructuring costs (Note 8)	5,500	
(Deficit) surplus for the year	(5,480)	1,096

The accompanying notes form an integral part of the financial statements.

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Unrestricted		
Balance at the beginning of the year	5,289	(2,067)
(Deficit) surplus for the year	(5,480)	1,096
Restricted equity expensed during the year	7,281	6,260
Balance at the end of the period	7,090	5,289
Restricted (Notes 3 and 9)		
Balance at the beginning of the year	20,740	27,000
Expenses during the year	(7,281)	(6,260)
Balance at the end of the period	13,459	20,740
Total equity	20,549	26,029

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Cash (used in) provided by operations		
(Deficit) surplus for the year	(5,480)	1,096
Items not affecting cash		
Amortization of capital assets	1,295	1,390
Provision for restructuring program	4,024	(2)
Provision for employee separation benefits	206	319
Loss on disposal of equipment	3	(18)
Amortization of deferred rent	30	(623)
	78	2,162
Changes in non-cash operating assets and liabilities	2,039	903
Cash provided by operating activities	2,117	3,065
Investing activities		
Additions to capital assets	(721)	(1,191)
Proceeds on disposal of equipment	45	49
Cash used for investing activities	(676)	(1,142)
Increase in cash	1,441	1,923
Cash and short-term deposits at the beginning of the year	35,290	33,367
Cash and short-term deposits at the end of the year	36,731	35,290

The accompanying notes form an integral part of the financial statements.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996
(in thousands of dollars)

1. Authority and objective

The International Development Research Centre (IDRC), a corporation without share capital, was established in 1970 by the Parliament of Canada through the *International Development Research Centre Act*. IDRC is funded mainly through an annual appropriation (grant) received from the Parliament of Canada.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases, plus one renewal period. The methods and rates used to provide for the amortization of capital assets are:

	Method	Rate (%)
Computer equipment	Straight line	20
Leasehold improvements	Straight line	5-50
Office furniture and equipment	Diminishing balance	20
Vehicles	Diminishing balance	30
Telephone system	Straight line	20

Recognition of revenue

The Parliamentary appropriation (grant) is recorded as revenue on an accrual basis. Revenue in respect of contract research is recognized at the time the related project expenses are incurred. Contract research funds received before expenses are incurred are recorded as deferred contract research revenues. Contract research expenses incurred before funds are received are recorded as accounts receivable.

Accrued employee separation benefits

Employees are entitled to specified termination benefits, calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Deferred rent

Any rent-free period or other incentives associated with long-term leases are deferred and amortized over the term of the lease on a straight-line basis.

Pension costs

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis. The Centre is not required under current legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Income taxes

The Centre is exempt from any income taxes.

Foreign-currency translation

Foreign-currency transactions are translated into Canadian dollars by the use of an average exchange rate that closely approximates the rate in effect at the transaction date. Monetary assets and liabilities are adjusted to reflect the rate of exchange in effect at year-end. Exchange gains and losses are included in operations for the current year.

3. Cash and investments

	1996	1995
Cash	(52)	535
Short-term deposits		
Canadian banks	16,112	19,114
Commercial companies	11,453	7,393
Federal and provincial governments	7,241	5,683
Foreign-owned banks		2,565
Trust and mortgage companies	1,977	
	36,731	35,290

Of the total cash and investment balance, $25,421 was received for specific purposes, as follows:

	1996	1995
Deferred contract research revenue	11,962	5,217
Restricted equity	13,459	20,740
	25,421	25,957

4. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net	Net
Computer equipment	6,008	3,487	2,521	2,800
Leasehold improvements	1,720	814	906	1,019
Office furniture and equipment	1,486	998	488	579
Vehicles	916	583	333	491
Telephone system	966	787	179	160
	11,096	6,669	4,427	5,049

Amortization for the year ended March 31, 1996 amounted to $1,295 (1995—$1,390).

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

5. Endowment funds

In 1987, the estate of the late John Bene established a fund to provide a postgraduate fellowship in the field of social forestry. The Centre is also administering $50 thousand in other endowment funds such as the Governor's Fund and the AIDS Fund.

	1996	1995
Balance at the beginning of the year	202	201
Interest income	13	10
Expenses	(7)	(9)
Balance at the end of the year	208	202
John Bene	158	155
Other	50	47
Total endowment funds	208	202

6. Accounts payable and accrued liabilities

	1996	1995
Accrued liabilities—Projects	2,156	4,673
Other	3,174	3,392
Accrued annual and other leave benefits	1,211	1,375
	6,541	9,440

7. Contract research

Contract research relates to research conducted or managed by the Centre on behalf of other organizations. This research is funded by other international agencies, the Canadian International Development Agency (CIDA), and other federal government entities. The Centre charges an overhead fee to recover the indirect administrative expenses on its contract research activities. A breakdown of contract research revenue and expenses is provided below:

	1996	1995
Contract research projects		
CIDA	8,238	8,963
Other	6,986	6,115
	15,224	15,078
Contract research overhead recovered		
CIDA	763	740
Other	560	436
	1,323	1,176
Total	16,547	16,254

Deferred contract research revenues of $11,962 (1995—$5,217) include $6,826 (1995—$3,113) held on behalf of CIDA.

8. Restructuring costs

During the year, the Board of Governors approved a restructuring of the Centre's programs and operations at its head office and regional offices. The total cost of this downsizing exercise, which includes severance packages paid to employees under the special compensation and assistance program and other related costs, has been estimated at $5.5 million. As at March 31, 1996, an amount of $4.0 million was accrued, as an amount of $1.5 million was paid during the year.

9. Restricted equity

In March 1994, the Centre received a supplementary parliamentary appropriation (grant) of $27 million. Pursuant to a Treasury Board decision this money was restricted as follows: $15 million to underwrite a health-support package in Africa and $12 million for the Micronutrient Initiative.

As at March 31, 1996, the balance remaining for the health support package in Africa is $13.5 million (1995—$14.4 million). The balance remaining on the Micronutrient Initiative is nil (1995—$6.3 million).

10. Operating lease commitments

The Centre has entered into various lease arrangements for staff accommodation in various countries and for office premises and equipment in Canada and abroad. In December 1993, the Centre entered into a new lease agreement for its premises at its head office. This new lease commenced in 1995 and will expire in 2007. The total minimum annual payments under various lease arrangements will be:

1996-97	5,531
1997-98	5,057
1998-99	4,883
1999-2000	4,879
2000-2001	4,957
2001-2007	34,602
Total	59,909

11. Contractual commitments—Project grants and project development

The Centre is committed to make payments up to $135.6 million during the next four years subject to funds being provided by Parliament or external donors and subject to compliance by recipients with the terms of project agreements. The Centre has also submitted formal grant offers to prospective recipients totaling $2.2 million and is awaiting acceptance of these offers.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Centre is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Centre enters into transactions with these entities in the normal course of business.

13. Contingency

A claim of approximately $820 thousand relating to a leased property in India was filed during the year. Management, based on advice of legal counsel, is of the opinion that it is not possible to determine the amount of the liability, if any, that may result from settlement of this claim.

The Centre is the defendant in other pending lawsuits. In management's opinion, the outcome of these other actions is not likely to result in any material liabilities.

14. Comparative figures

Certain 1995 figures have been reclassified to conform to the statement presentation adopted in 1996.

LAURENTIAN PILOTAGE AUTHORITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of the Corporation is responsible for the performance of the duties delegated to them by its Board of Directors. These include the preparation of the annual report and the production of its content, including the financial statements. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied, and include estimates based on management's experience and judgement.

Management maintains books and records, financial and management control, information systems and management practices designed in such a manner as to provide reasonable assurance that: reliable and accurate financial information is produced on a timely basis; assets are safeguarded and controlled; transactions are in accordance with Part X of the *Financial Administration Act* and its regulations as well as the *Pilotage Act* and regulations and by-laws of the Corporation and any directives given to it; resources are managed economically and efficiently, and that the operations of the Corporation are carried out effectively.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in accordance with generally accepted auditing standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee composed of three directors whom are not employees of the Corporation. The Audit Committee discharges the responsibilities conferred upon it by the Board of Directors, and meets on a regular basis with management and the Auditor General of Canada, who has unrestricted access to the Committee.

Jean-Claude Michaud
Chairman of the Corporation

Yvon Martel
Treasurer

Montréal, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Laurentian Pilotage Authority as at December 31, 1995 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 16, 1996

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash	359,649	
Accounts receivable	7,065,651	7,407,465
	7,425,300	7,407,465
Capital (Note 4)	5,291,127	2,673,789
Less: accumulated amortization	2,070,841	1,983,088
	3,220,286	690,701
	10,645,586	8,098,166

LIABILITIES	1995	1994
	$	$
Current		
Bank indebtedness		404,307
Accounts payable	7,721,356	6,832,062
	7,721,356	7,236,369
Long-term		
Provision for employee termination benefits	680,000	721,000
Bank loan (Note 5)	1,770,140	
	2,450,140	721,000
	10,171,496	7,957,369
Contingencies (Note 6)		
EQUITY OF CANADA		
Contributed capital	1,748,814	1,345,920
Deficit	(1,274,724)	(1,205,123)
	474,090	140,797
	10,645,586	8,098,166

Approved by the Authority:

JEAN-CLAUDE MICHAUD
Chairman

MICHAEL B. MILNER
Member

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenues		
Pilotage charges	34,305,447	33,295,550
Interest and other revenues	61,124	58,600
	34,366,571	33,354,150
Expenses		
Pilots' fees, salaries and benefits	31,869,033	30,023,465
Operating costs of pilot boats	3,753,012	3,484,958
Staff salaries and benefits	1,817,377	1,810,554
Professional services and members' allowances	377,510	447,573
Rentals	201,536	174,839
Transportation, travel and hospitality	120,652	141,204
Communications	112,393	123,389
Utilities, material and supplies	98,957	92,561
Maintenance	46,796	47,457
Financing costs	28,239	24,436
Other	117,997	158,239
	38,543,502	36,528,675
Net loss for the year	4,176,931	3,174,525

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Balance at beginning of the year	1,345,920	1,278,088
Parliamentary appropriation to finance the acquisition of capital assets:		
—Previous year	117,846	67,832
—Current year (Note 3)	285,048	
Balance at the end of the year	1,748,814	1,345,920

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Balance at beginning of the year	1,205,123	1,933,187
Net loss for the year	4,176,931	3,174,525
Parliamentary appropriations to finance the operating deficit:		
—Previous year	(52,378)	(929,589)
—Current year (Note 3)	(4,054,952)	(2,973,000)
Balance at end of the year	1,274,724	1,205,123

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Operating activities		
Net loss for the year	(4,176,931)	(3,174,525)
Non-cash items:		
Amortization	162,979	142,147
Increase (decrease) in the provision for employee termination benefits	(41,000)	7,000
	(4,054,952)	(3,025,378)
Decrease (increase) in accounts receivable	341,814	(2,014,987)
Increase in accounts payable	889,294	859,337
	(2,823,844)	(4,181,028)
Investing activities		
Additions to capital assets—Net	(2,692,564)	(367,846)
Financing activities		
Parliamentary appropriations	4,510,224	4,970,421
Bank loan	1,770,140	
Cash (bank indebtedness)		
Increase of the cash for the year	763,956	421,547
Balance at beginning of the year	(404,307)	(825,854)
Balance at end of the year	359,649	(404,307)

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Authority and activities

The Laurentian Pilotage Authority was established in 1972 under the *Pilotage Act*. Its objectives are to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation is exempt from income taxes.

2. Significant accounting policies

Capital assets

Capital assets obtained from Canada when the Authority was established were recorded at the then assigned values. Capital assets purchased subsequently by the Authority are recorded at cost.

Capital assets are amortized using the straight-line method, at rates based on the estimated useful lives of the assets.

Contributed capital

The values assigned to the capital assets obtained from Canada when the Authority was established and the net cost of capital assets financed from parliamentary appropriations are recorded as contributed capital.

Parliamentary appropriations

Parliamentary appropriations received to finance the excess of expenses over revenues are recorded in the year in which they are voted by Parliament, to contributed capital for that portion pertaining to the acquisition of capital assets and to the deficit for that pertaining to operations. In this respect, operating expenses include only those which require an outlay of funds.

Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

3. Parliamentary appropriations

In the 1995-96 Main Estimates, Parliament approved an appropriation of $4,340,000 to cover a portion of the excess of expenses over revenues of the Authority for the year 1995. On February 15, 1996, Treasury Board approved the inclusion in the 1995-96 Supplementary Estimates of an appropriation of up to $994,000, to cover the balance of the excess of expenses over revenues of the Authority for the year 1995.

4. Capital assets

Details of capital assets are as follows:

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	57,572	28,017	29,555	31,353
Pilot boats	3,350,005	1,346,149	2,003,856	362,461
Furniture and fixtures	149,263	97,504	51,759	57,670
Communications equipment	157,882	92,770	65,112	75,436
Computer equipment	173,443	127,563	45,880	67,563
Boarding facilities	303,344	195,715	107,629	36,208
Wharf improvements	1,090,318	183,123	907,195	50,710
	5,291,127	2,070,841	3,220,286	690,701

Amortization for the year is $162,979 ($142,147 in 1994).

The estimated useful lives for the major categories of capital assets for the purposes of calculating amortization are as follows:

Buildings	10 years
Pilot boats	10 and 15 years
Furniture and fixtures	10 years
Communications equipment	10 years
Computer equipment	5 years
Boarding facilities	15 and 20 years
Wharf improvements	15 years

5. Bank loan

During the year 1995, the Authority obtained a credit facility in the amount of $2,400,000 which expired on May 31, 1996, to finance the construction of a pilot boat. As at December 31, 1995, the Authority had drawn upon $1,770,140 which was subject to interest at the lender's prime rate. The Authority plans on negotiating a long-term loan with the lender subject to acceptable terms and conditions and the approval by the Minister of Finance.

LAURENTIAN PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

6. Contingencies

Other claims and lawsuits

In connection with its operations, the Authority is the claimant or defendant or otherwise involved in pending claims and lawsuits. Some of the claims or lawsuits are for the purpose of contesting the validity of certain of the Authority's regulations or their application. Those claims and lawsuits amount to approximately $5,400,000. It is the opinion of management that these actions will not result in any material liabilities to the Authority. No provision has been recorded in the accounts in this regard.

Any payments by the Authority as a result of the abovementioned issues will be charged to operations in the year in which a decision is rendered.

7. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

MARINE ATLANTIC INC.

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements is the responsibility of Marine Atlantic Inc.'s management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied using management's best estimates and judgements that are considered appropriate to the Corporation's circumstances. Management also relies on an actuarial report to record the activities of the pension fund.

Management is responsible for the reliability and integrity of the consolidated financial statements including the notes to the statements and other financial information contained in the annual report. In addition, management is also responsible for maintaining books of account, information systems, systems of financial and management control, and a comprehensive internal audit program. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available, that assets are safeguarded and controlled, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the Corporation's articles of incorporation and by-laws.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board oversees its responsibilities through the Audit Committee. The Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements.

KPMG Peat Marwick Thorne and the Auditor General of Canada, the independent auditors of the Corporation appointed under the *Financial Administration Act*, have audited the Corporation's consolidated financial statements in accordance with generally accepted auditing standards. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings and the adequacy of the system of internal controls.

The consolidated financial statements and the annual report have been approved by the Board of Directors.

D.J. Weaver
Vice-President, Finance and Administration

R. Morrison
President and CEO

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of Marine Atlantic Inc. as at December 31, 1995 and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Marine Atlantic Inc. Acquisition Authorization Act* and the articles of incorporation and by-laws of the Corporation and its wholly-owned subsidiaries.

Wm. F. Radburn, FCA
Assistant Auditor General for
the Auditor General of Canada

Ottawa, Canada

KPMG Peat Marwick Thorne
Chartered Accountants

Moncton, Canada
February 16, 1996

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

ASSETS	1995	1994
Current assets		
Cash (Note 3)	3,030	5,523
Accounts receivable	5,731	6,305
Receivable from Government of Canada (Note 4)	1,180	
Inventory of fuel and supplies	5,722	5,095
Prepaid expenses	3,135	4,435
	18,798	21,358
Capital assets and deferred charges (Note 5)	333,611	355,053
	352,409	376,411

LIABILITIES AND SHAREHOLDER'S DEFICIENCY	1995	1994
Current liabilities		
Bank indebtedness	813	525
Accounts payable and accrued liabilities	14,948	18,769
Accrued vacation pay	8,285	9,416
Payable to Government of Canada (Note 4)		2,626
Payable to subsidiary (Note 4)	331	165
Accrued separation benefits	4,732	1,345
Losses of subsidiary in excess of the cost of the investment (Note 6)	1,991	1,728
	31,100	34,574
Deferred capital assistance (Note 7)	333,611	355,053
SHAREHOLDER'S DEFICIENCY		
Share capital (Note 8)	258,530	258,530
Deficit	(270,832)	(271,746)
	(12,302)	(13,216)
Commitments and contingencies (Notes 2 (h) and 10)		
	352,409	376,411

See accompanying notes to consolidated financial statements.

On behalf of the Board:

MOYA N. CAHILL
Director

J. RICHARD CAMPBELL
Director

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Revenue		
Commercial revenue	87,739	84,501
Charter revenue	6,408	2,757
Interest and other income	1,542	1,330
	95,689	88,588
Operating expenses		
Wages and benefits	100,055	101,026
Fuel	18,793	19,813
Materials	18,531	20,084
Contracted services	18,227	19,213
Insurance, rent and utilities	8,974	9,325
Separation benefits	6,880	1,162
Charter expenses	5,669	1,150
Other	5,466	9,920
Other services	4,105	3,940
Amortization	28,936	28,451
	215,636	214,084
Loss from operations	(119,947)	(125,496)
Amortization of deferred capital assistance (Note 7)	28,936	28,451
Government funding		
Government contract revenue	89,582	94,590
Subsidies and contracted services	2,606	2,503
Earnings from continuing operations	1,177	48
Earnings (loss) from discontinued operations (Note 6)	(263)	126
Net earnings	914	174

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Deficit, beginning of year	(271,746)	(271,920)
Net earnings	914	174
Deficit, end of year	(270,832)	(271,746)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)
(in thousands of dollars)

	1995	1994
Cash provided by (used in)		
Operations		
Earnings from continuing operations	1,177	48
Items not involving cash		
Amortization	28,936	28,451
Amortization of deferred capital assistance	(28,936)	(28,451)
Change in non-cash operating working capital	(3,958)	4,533
	(2,781)	4,581
Financing		
Capital assistance	7,494	13,910
Investment		
Expenditures on capital assets and deferred charges	(7,494)	(13,910)
Increase (decrease) in cash	(2,781)	4,581
Cash, beginning of year	4,998	417
Cash, end of year	2,217	4,998
Cash is comprised of the following		
Cash	3,030	5,523
Bank indebtedness	(813)	(525)
	2,217	4,998

See accompanying notes to consolidated financial statements.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

1. Nature of operations and authority

The *Marine Atlantic Inc. Acquisition Authorization Act* was proclaimed in 1986. In accordance with the Act, the Corporation's articles restrict the business it may carry on to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. Marine Atlantic Inc. is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

The Corporation's activities are also governed by agreements negotiated with the Government of Canada. The agreements provide, among other things, for the Corporation to receive contract revenues from the Government of Canada to the extent that the cost of providing ferry, coastal, terminal and water services is not recovered from commercial revenues. In addition, and subject to parliamentary appropriations, amounts are received to finance the acquisition of capital assets on a proven cash needs basis. The allocation of funds received in respect of contract revenue and the acquisition of capital assets is subject to approval by the Minister of Transport. As a result, the Corporation is economically dependent on the Government of Canada for the funds it receives through these arrangements.

2. Significant accounting policies

(a) Basis of presentation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary Coastal Transport Limited. All intercompany transactions between the parent company and Coastal Transport Limited have been eliminated in these consolidated financial statements. (See also Note 6 concerning Newfoundland Dockyard Corporation).

(b) Government funding

Revenues received under contract, to fund operating expenses in excess of commercial revenues, to provide ferry service to Atlantic Canada are based on operating budgets approved by the Government of Canada for each year and are included in income in the year. At the end of the fiscal year government contract revenue, in excess of that required for operations, is reduced by amounts treated as a reduction of capital assistance receivable, funds transferred to subsidiary, and the amounts payable to subsidiary. Any difference remaining represents a receivable from (payable to) the Government of Canada.

Amounts received or receivable from the Government of Canada under the Capital Funding Agreement are restricted for the purchase of capital assets. These funds are recorded as Deferred Capital Assistance in the year in which the related capital assets are acquired, and are amortized to income on the same basis and over the same periods as the related capital assets are amortized.

(c) Inventory of fuel and supplies

Inventories are valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

(d) Capital assets

Capital assets are carried at cost less accumulated amortization. Deferred charges, consisting mainly of dredging costs, are accounted for at cost less accumulated amortization.

(e) Amortization

Amortization is calculated at rates sufficient to write off capital assets over their estimated useful lives generally on a straight-line basis. The rates for significant classes of assets are as follows:

Asset	Rate
Vessels	5%
Terminal properties	2.5%
Equipment	10%, 12.5% and 25%
Leasehold improvements	lesser of 5 years or term of lease
Deferred charges	straight-line basis over 60 months

(f) Vessel spare parts

The Corporation maintains spare parts for vessels in service. The cost of spare parts is charged to operations when the spare parts are acquired.

(g) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the balance sheet date. Gains and losses arising on translation are included in interest and other income for the year. Other assets and liabilities, revenues and expenses are translated using exchange rates in effect at the date of the transaction.

(h) Employee compensation

(i) Pension plans

Substantially all of the Corporation's employees are covered by a defined benefit retirement plan. Pension costs related to benefits earned by employees in the current year are charged to earnings. The last actuarial valuation at December 31, 1993 identified a net deficiency for the plan, which is being amortized on a straight-line basis over the estimated average remaining service lives of the related employee group.

(ii) Personal injury costs

Certain employees, retired as a result of injury, receive specified benefits. These benefits are administered and paid by the workers' compensation boards of the four Atlantic provinces. The Corporation recognizes the benefit payouts as an expense in the year paid to the workers' compensation boards.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

3. Cash

	1995	1994
Cash	2,502	4,998
Restricted cash	528	525
	3,030	5,523

The restricted cash balance arose as a result of a court in France requiring a certified cheque as security, pending the resolution of claims against a Marine Atlantic Inc. vessel on charter (see Note 10 (f)).

4. Receivable from (payable to) Government of Canada

As described in Note 2 (b), Government contract revenue received but not required for operations is used to offset any capital funding receivable from the Government of Canada, to transfer funds to subsidiaries as required and to pay amounts owing to subsidiaries, as follows:

	1995	1994
Government contract revenue received not required for operations	(7,208)	(14,622)
Used for		
Reduction of capital assistance receivable under the Capital Funding Agreement	4,653	8,309
Funds transferred to subsidiary	3,404	3,500
Payable to subsidiary	331	165
Receivable from Government of Canada—Coastal Transport Limited		22
Receivable from (payable to) Government of Canada	1,180	(2,626)

5. Capital assets and deferred charges

			1995	1994
	Cost	Accumulated amortization	Net book value	Net book value
Assets used in operations				
Vessels	451,187	212,288	238,899	262,573
Terminal properties	125,578	41,878	83,700	83,313
Equipment	28,170	21,870	6,300	8,298
Leasehold improvements	1,026	329	697	830
	605,961	276,365	329,596	355,014
Assets held for resale				
Vessels	9,528	5,513	4,015	
Deferred charges	5,617	5,617		39
	621,106	287,495	333,611	355,053

As of December 31, 1995, the Corporation has three vessels held for resale and not being used in operations. The vessels are carried at net book value as any writedown of these assets to net realizable value would have no effect on net income as the deferred capital assistance would be reduced by the same amount (see Note 7).

6. Discontinued operation

During the year the Corporation prepared a formal plan for the disposal of the subsidiary, the Newfoundland Dockyard Corporation. The plan includes allowing the employees of the subsidiary the opportunity to take over the company. The employee take-over decision must be made in 1996. Failing that, the Newfoundland Dockyard Corporation will be wound up. Accordingly, the subsidiary is not being consolidated. The investment in the subsidiary is accounted for at the lower of the net realizable value and the carrying value of the investment using the equity method. The comparative figures have been restated to reflect the application of the equity method.

The results of the subsidiary's operations are as follows:

	1995	1994
Revenue	6,218	27,093
Operating expenses	10,771	31,099
	(4,553)	(4,006)
Government assistance	4,290	4,132
Earnings (loss) from discontinued operation	(263)	126
Increase (decrease) in investment in subsidiary	(263)	126

Newfoundland Dockyard Corporation had sales to the parent company of $2,394 in 1995 (1994—$1,179).

The amounts of the assets and liabilities of the subsidiary at December 31, which are not consolidated, are summarized as follows:

	1995	1994
Current assets	3,408	7,351
Receivable from parent	331	165
Capital assets	11,520	12,502
	15,259	20,018
Less		
Bank indebtedness	302	2,707
Accounts payable	2,306	3,678
Deferred capital assistance	6,577	7,296
Long-term debt	8,065	8,065
	17,250	21,746
Losses of subsidiary in excess of the cost of the investment	1,991	1,728

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Continued*

The results of the subsidiary's change in cash position are as follows:

	1995	1994
Cash provided by (used in)		
Operations		
Earnings (loss) from discontinued operation	(263)	126
Items not involving cash		
Depreciation	996	973
Amortization of deferred capital assistance	(733)	(710)
Change in non-cash operating working capital	2,571	(4,192)
	2,571	(3,803)
Financing		
Receivable from parent	(166)	1,563
Capital assistance	14	242
	(152)	1,805
Investment		
Expenditures on capital assets	(14)	(242)
Increase (decrease) in cash from discontinued operations	2,405	(2,240)
Cash position, beginning of year	(2,707)	(467)
Cash position, end of year	(302)	(2,707)

The subsidiary has incurred expenses during the year to clean up oil which is seeping from land on which the Corporation is situated. Management is not able to determine the extent of future clean-up costs that will arise in this regard.

7. Deferred capital assistance

In accordance with changes in 1986 in the contractual funding agreements, future amortization on those capital assets and deferred charges acquired prior to January 1, 1987, and which had substantially been financed through the issue of share capital, were no longer recoverable under contracts with the Government of Canada.

Management adjusted the retained earnings in 1986 by $290,600 in their belief that the Corporation would not generate sufficient commercial revenue to recover these costs. As the related assets are amortized or disposed of, deferred capital assistance is reduced on the same basis. Amounts received or receivable from the Government of Canada to finance the acquisition of capital assets are credited to this account as well (see Note 2 (b)).

8. Share capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1995 and 1994, 517,061 shares at $0.50 per share have been issued and fully paid.

9. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

10. Commitments and contingencies

(a) The total amount required to complete contracted capital assets under construction at December 31, 1995 is estimated to be $705 (1994—$5,528).

(b) The Corporation makes use of property which is available through operating leases. The minimum annual lease payments are as follows: 1996—$1,193; 1997—$1,166; 1998—$1,157; 1999—$492; and 2000—$47.

(c) The Corporation charters vessels to complement its existing fleet. The minimum annual vessel charter payments are as follows: 1996—$2,261.

(d) The Corporation is in receipt of claims estimated at $5,600 (excluding Note 10 (i)). Any final determination as to the Corporation's exposure is presently unknown. The financial statements reflect the accrual of management's best estimate of the liability.

(e) The Corporation has guaranteed the bank indebtedness of Newfoundland Dockyard Corporation, a subsidiary. The bank indebtedness position of Newfoundland Dockyard Corporation as at December 31, 1995 is $302.

(f) The Corporation's bank has provided a letter of guarantee to a French bank totalling $552. This guarantee was issued to cover the funds drawn on the French account (see Note 3) and the claims against a Marine Atlantic Inc. charter vessel.

(g) The Corporation's bank has provided a letter of guarantee in favour of the Newfoundland Dockyard Corporation to the Fisheries Loan Board of Newfoundland for the guaranteed performance of a contract in the amount of $215.

(h) The Corporation's bank has provided a letter of credit in favour of Workplace Health, Safety and Compensation Commission of New Brunswick for the guaranteed payment of future liabilities in the amount of $4,500.

(i) The Corporation has provided five letters of guarantee in the total amount of $967, to five creditors of a charter company. The guarantees were given to obtain the release of a vessel of the Corporation from arrest, which ocurred when the company that had the vessel under charter went bankrupt. The Corporation has guaranteed to pay the creditors certain claims when and if they are deemed by the courts to be valid.

(j) Subsequent to year end, the Corporation has provided letters of guarantee to two companies in favour of the Newfoundland Dockyard Corporation, for the guaranteed performance of contracts in the total amount of $2,478.

11. PEI service closure

In 1993, the Government of Canada enacted a law (the *Northumberland Strait Crossing Act*) to facilitate the construction and operation of a fixed link between New Brunswick and Prince Edward Island to be completed by May 31, 1997. The decision by the Government of Canada includes the termination at May 31, 1997 of the ferry service operated between these two provinces by Marine Atlantic Inc. The consolidated financial statements of Marine Atlantic Inc. include the assets, liabilities, revenues and expenses of this service.

MARINE ATLANTIC INC.—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Concluded*

Currently Marine Atlantic Inc. is developing formal plans for the process of disposal, including the disposition and removal of capital assets, as well as the termination of employees no longer required. The Corporation will request and anticipates to receive funding from the Government of Canada for all closure costs that will be related to the discontinuance of this service.

If completion of the fixed link is not realized by May 31, 1997, the owners of the fixed link (Strait Crossing Development Inc.) will be responsible for the cost of operating the ferry service until the completion date. This would result in Strait Crossing Development Inc. paying Marine Atlantic Inc. for costs of operating the service in excess of commercial revenues from the service until completion. Given that a formal plan is not in place for the disposition of the service the Corporation has not presented the results from this service as results from a discontinued operation. No liabilities for possible closure costs have been recorded, even though they may be significant.

The net book value of capital assets related to this service are $38,473 (1994—$42,245). Commercial revenues and operating expenses directly related to this service are $21,178 and $41,159, respectively (1994—$19,614 and $40,726).

12. Pensions

The value of the accrued pension benefit for service rendered to December 31, 1995 of $368,040 (1993—$344,557) has been determined by the Corporation's actuaries using best estimate assumptions provided by management based on extrapolation of the results of the December 31, 1993 actuarial valuation.

The actuarial value of pension fund assets as at December 31, 1994 is $374,494 (1993—$340,932) based on calculations from the Corporation's actuaries.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

MONTRÉAL PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1995 and the statements of earnings, contributed capital and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have been, in all significant respects, in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

Samson Bélair/
Deloitte & Touche
Chartered Accountants

Montréal, Canada
February 2, 1996

BALANCE SHEET
AS AT DECEMBER 31, 1995
(in thousands of dollars)

CURRENT ASSETS	1995	1994
Cash	291	166
Short-term investments (Note 3)	42,350	35,126
Accounts receivable	12,988	11,831
Materials and supplies	686	738
	56,315	47,861
Long-term investments (Note 3)	27,209	27,595
Fixed assets (Note 4)	159,155	158,719
Deferred costs	567	601
Other assets	528	587
	243,774	235,363

CURRENT LIABILITIES	1995	1994
Accounts payable and accrued liabilities (Note 5)	10,913	8,951
Grants in lieu of municipal taxes	3,260	3,966
	14,173	12,917
Accrued employee benefits	4,789	4,067
Loans from the Government of Canada (Note 6)	2,903	3,525
	21,865	20,509
EQUITY OF THE GOVERNMENT OF CANADA		
Contributed capital	153,919	153,919
Retained earnings	67,990	60,935
	221,909	214,854
	243,774	235,363

Approved by the Board:

RAYMOND LEMAY
Chairman

DOMINIC J. TADDEO
President and Chief Executive Officer

MONTRÉAL PORT CORPORATION—*Continued*

STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Revenue from operations	54,584	56,906
Operating and administrative expenses	35,443	34,362
Depreciation of fixed assets	10,903	10,310
Grants in lieu of municipal taxes	6,033	6,769
	52,379	51,441
Earnings from operations	2,205	5,465
Investment revenue	5,803	4,630
Earnings before the following items	8,008	10,095
Write-off of fixed assets		(1,418)
Prior year adjustment of the grants in lieu of municipal taxes	1,900	
Disposal of transformers	(600)	
Net earnings	9,308	8,677

STATEMENT OF CONTRIBUTED CAPITAL AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Contributed capital		
Balance, beginning and end of year	153,919	153,919
Retained earnings		
Balance, beginning of year	60,935	55,366
Net earnings	9,308	8,677
Dividends	(2,253)	(3,108)
Balance, end of year	67,990	60,935

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Net earnings	9,308	8,677
Items not affecting cash		
Depreciation of fixed assets	10,903	10,310
Amortization of deferred costs	34	35
Loss (gain) on disposal of fixed assets	415	(15)
Increase (decrease) in accrued employee benefits	722	(272)
Write-off of fixed assets		1,418
	21,382	20,153
Changes in non-cash operating working capital items (Note 7)	115	3,914
	21,497	24,067
Financing activities		
Repayment of current portion of loans from the Government of Canada	(586)	(551)
Dividends paid	(2,253)	(3,108)
	(2,839)	(3,659)
Investing activities		
Decrease (increase) in long-term investments	386	(139)
Acquisition of fixed assets	(11,760)	(8,091)
Disposal of fixed assets	6	30
Decrease in other assets	59	803
	(11,309)	(7,397)
Net cash inflow	7,349	13,011
Cash position, beginning of year	35,292	22,281
Cash position, end of year	42,641	35,292
Represented by		
Cash	291	166
Short-term investments	42,350	35,126
	42,641	35,292

MONTRÉAL PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995
(tabular amounts only are in thousands of dollars)

1. Status and nature of activities

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. Accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

Deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. Investments

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1995, the market value of short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$33,234,472 (\$30,592,517 in 1994).

4. Fixed assets

				1995	1994
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		50,721		50,721	50,312
Dredging	2.5-10.0	16,178	14,359	1,819	2,104
Berthing structures	2.5-10.0	63,408	46,784	16,624	16,433
Buildings	2.5-10.0	69,381	40,114	29,267	30,753
Utilities	3.3-10.0	20,689	12,139	8,550	8,459
Roads and surface	2.5-10.0	76,127	34,933	41,194	38,969
Machinery and equipment	5.0-33.3	62,974	55,245	7,729	9,486
Office furniture and equipment	20.0-33.3	9,111	6,654	2,457	1,798
		368,589	210,228	158,361	158,314
Projects under construction		794		794	405
		369,383	210,228	159,155	158,719

MONTRÉAL PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Concluded*

5. Accounts payable and accrued liabilities

	1995	1994
	$	$
Current portion of loans from the Government of Canada	622	586
Deferred revenue	931	334
Other	9,360	8,031
	10,913	8,951

6. Loans from the Government of Canada

	1995	1994
	$	$
Loans, 6.25%, payable to 2000 in annual instalments of $842,561 including interest	3,525	4,111
Current portion	622	586
	2,903	3,525

Principal repayment requirements over the next five years are as follows:

	$
1996	622,238
1997	661,128
1998	702,449
1999	746,352
2000	792,999

7. Changes in non-cash operating working capital items

	1995	1994
	$	$
Accounts receivable	(1,157)	(158)
Materials and supplies	52	43
Accounts payable and accrued liabilities, net of current portion of loans from the Government of Canada	1,926	1,935
Grants in lieu of municipal taxes	(706)	2,094
	115	3,914

8. Contingencies

Claims aggregating approximately $2,900,000 in respect of lawsuits and guarantees related to the Corporation's property have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. Commitments

(a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at $1,105,000.

(b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1995 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1996 would amount to approximately $2,442,349 for 1995 and would be applied against retained earnings.

10. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges, rental revenue and management fees. The expenses paid to related parties are principally administration fees.

NATIONAL ARTS CENTRE CORPORATION

MANAGEMENT RESPONSIBILITIES

The Board of Trustees, which is responsible for, among other things, the financial statements of the Corporation, delegates to Management the responsibility for the preparation of the financial statements and the annual report. Responsibility for their review is that of the Audit Committee of the Board of Trustees. The financial statements were prepared by Management in accordance with generally accepted accounting principles and include estimates based on Management's experience and judgement. The financial statements have been approved by the Board of Trustees of the Corporation on the recommendation of the Audit Committee. Other financial and operating information appearing in this annual report is consistent with that contained in the financial statements.

Management maintains books and records, financial and management control and information systems designed in such a manner as to provide reasonable assurance that reliable and accurate information is produced on a timely basis and that transactions are in accordance with the *National Arts Centre Act* and By-Laws of the Corporation.

The Board of Trustees of the Corporation is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee. The Audit Committee discharges the responsibilities conferred upon it by the Board of Trustees, and meets on a regular basis with Management, and with the Auditor General of Canada, who has unrestricted access to the Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in accordance with generally accepted auditing standards and reports on the results of that audit on an annual basis.

Joan Pennefather
Executive Director

AUDITOR'S REPORT

TO THE CHAIR OF THE BOARD OF TRUSTEES
NATIONAL ARTS CENTRE CORPORATION

I have audited the balance sheet of the National Arts Centre Corporation as at August 31, 1995 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 27, 1995

NATIONAL ARTS CENTRE CORPORATION—*Continued*

BALANCE SHEET AS AT AUGUST 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash and short-term investments	2,691,315	5,836,352
Accounts receivable	1,226,387	1,402,133
Parliamentary appropriation receivable (Note 4)	3,162,000	
Inventories	501,767	505,398
Programmes in progress	962,843	857,887
Prepaid expenses	108,129	137,531
	8,652,441	8,739,301
Capital assets (Note 3)	10,756,095	11,227,565
	19,408,536	19,966,866

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable and accrued liabilities	3,173,653	3,476,090
Employee termination benefits payable (Note 9)	1,277,000	
Bank indebtedness	349,000	
Deferred revenue	3,357,983	3,406,765
Deferred parliamentary appropriation (Note 4)		1,893,335
	8,157,636	8,776,190
Long-term portion of provision for employee termination benefits	892,689	1,048,292
	9,050,325	9,824,482
EQUITY OF CANADA		
Equity (Note 5)	10,125,936	9,869,396
National Arts Centre Foundation (Note 6)	168,479	182,988
Artistic Development Fund (Note 7)	63,796	
Reserve for 25th anniversary (Note 8)		90,000
	10,358,211	10,142,384
	19,408,536	19,966,866

Approved by Management:

JOAN PENNEFATHER
Executive Director

J. M. (JACK) MILLS
Managing Director—Finance, Administration and Operations

Approved by the Board of Trustees:

JEAN THÉRÈSE RILEY
Chair

GEORGE R. MacLAREN
Member of Board

NATIONAL ARTS CENTRE CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 1995

	1995	1994
	$	$
Revenue		
Performing arts programmes (Schedule 1)	8,777,910	6,955,429
Commercial services (Schedule 2)	8,208,581	7,684,734
Programme support services	314,420	264,758
Interest revenue	293,880	118,428
Artistic Development Fund—Net revenue (Note 7)	63,796	
25^{th} Anniversary—Revenue (Note 8)		102,880
National Arts Centre Foundation—Net revenue (Note 6)		46,688
Other	16,380	31,161
	17,674,967	15,204,078
Expenses (Schedule 3)		
Performing arts programmes (Schedule 1)	16,127,098	15,500,683
Commercial services (Schedule 2)	6,356,979	6,052,583
Operation of the buildings	7,430,053	7,252,465
Programme support services	3,418,579	3,813,869
Administrative services	3,532,243	3,650,667
Board of Trustees	108,014	73,660
25^{th} Anniversary—Expenses (Note 8)	90,000	518,394
National Arts Centre Foundation—Net expenses (Note 6)	14,509	
	37,077,475	36,862,321
Excess of expenses over revenue before expense reduction and restructuring	19,402,508	21,658,243
Expense reduction and restructuring (Note 9)	1,021,000	
Excess of expenses over revenue	20,423,508	21,658,243

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED AUGUST 31, 1995

	1995	1994
	$	$
Equity (Note 5)		
Balance at beginning of the year	9,869,396	9,148,827
Parliamentary appropriation (Note 4)	20,639,335	22,015,500
Excess of expenses over revenue	(20,423,508)	(21,658,243)
Transfer from reserve for 25^{th} anniversary	90,000	410,000
Transfer of net revenue of the Artistic Development Fund	(63,796)	
Transfer of net expenses (revenue) of the National Arts Centre Foundation	14,509	(46,688)
Balance at end of year	10,125,936	9,869,396
National Arts Centre Foundation (Note 6)		
Balance at beginning of year	182,988	136,300
Net (expenses) revenue	(14,509)	46,688
Balance at end of year	168,479	182,988
Artistic Development Fund (Note 7)		
Balance at beginning of year		
Net revenue	63,796	
Balance at end of year	63,796	
Reserve for 25^{th} anniversary (Note 8)		
Balance at beginning of year	90,000	500,000
Transfer to Equity	(90,000)	(410,000)
Balance at end of year		90,000

NATIONAL ARTS CENTRE CORPORATION—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 1995

	1995	1994
	$	$
Operating		
Excess of expenses over revenue	(20,423,508)	(21,658,243)
Items not affecting funds		
Amortization	2,802,361	2,555,931
Provision for employee termination benefits	(155,603)	(47,153)
(Gain) loss on disposal of capital assets	(1,727)	3,663
	(17,778,477)	(19,145,802)
Change in non-cash operating assets and liabilities	1,029,604	877,930
	(16,748,873)	(18,267,872)
Financing		
Parliamentary appropriation received	15,584,000	24,242,000
Investing		
Additions to capital assets	(2,329,164)	(2,260,770)
(Decrease) increase in cash position	(3,494,037)	3,713,358
Cash position at beginning of year	5,836,352	2,122,994
Cash position at end of year	2,342,315	5,836,352
Composed of:		
Cash and short-term investments	2,691,315	5,836,352
Bank indebtedness	(349,000)	
	2,342,315	5,836,352

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1995

1. Objectives and operations

The objectives of the National Arts Centre Corporation (the "Corporation") are to operate and maintain the National Arts Centre, to develop the performing arts in the National Capital Region, and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the showing of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objects include the development and encouragement of the performing arts in Canada; and, at the request of the Government of Canada or the Canada Council, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

With a view to achieving the objectives, the Government of Canada has leased without charge the National Arts Centre building complex to the Corporation for a period expiring May 31, 1996. The Corporation is responsible for the operation and maintenance of the building.

2. Significant accounting policies

(a) Short-term investments

Short-term investments are valued at the lower of cost and market value.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value for supplies or replacement cost for production materials, food and beverages.

(c) Programmes in progress

Direct costs, including advances to performing companies and artists, incurred prior to the end of the year for programmes in progress are deferred and charged to expenses in the year in which the programmes terminate. Indirect costs and common services not attributable to particular performances are charged to expenses in the year in which they are incurred.

(d) Capital assets

Capital assets other than the National Arts Centre complex are recorded at cost. Amortization is calculated on the straight-line method as follows:

Building—l'Atelier	20 years
Equipment	3, 5 and 7 years
Leasehold improvements	10 years

No amortization is taken on the National Arts Centre building complex.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1995—*Continued*

(e) Deferred revenue

Revenue from tickets sold prior to the end of the year for programmes in progress and revenue for hall rentals are deferred and credited to revenue in the year in which the programmes terminate. Revenue from gift certificates and exchange vouchers is deferred until the certificates and vouchers are redeemed. Gift certificates and exchange vouchers not redeemed within three years of the year of their issuance and a percentage of those less than three years old are credited to revenue.

(f) Operating expenses

Expenses relating to performing arts programmes and commercial services do not include costs relating to building and equipment maintenance, utilities and administrative services.

(g) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. Contributions to the Plan are required by both the employees and the Corporation on an equal basis. The Corporation's contributions represent the Corporation's total obligation and are recorded as they become due.

The Corporation is not required under present legislation to make contributions with respect to employees for actuarial deficiencies of the Public Service Superannuation Account.

(h) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under their respective contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(i) Parliamentary appropriation

The Corporation credits to equity each month one-twelfth of the approved appropriation. The parliamentary appropriation approved for the period from April 1 to August 31, is in respect of the Government of Canada's fiscal year ending on March 31 of the following year. Accordingly, the portion of the amount received to August 31, which is in excess of 5/12ths of the appropriation, is deferred to the following year. Similarly, the portion of the amount received to August 31, which is less than 5/12ths of the appropriation, is recorded as a receivable.

A portion of the Parliamentary appropriation is for the financing of major repairs and improvements to the National Arts Centre buildings. The relevant amounts are based on the Corporation's five-year plan for major capital projects submitted to Treasury Board.

3. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	90,000		90,000	90,000
Building—l'Atelier	298,069	208,010	90,059	104,963
Equipment	7,029,651	5,150,302	1,879,349	1,597,981
Leasehold improvements	25,734,638	17,037,951	8,696,687	9,434,621
	33,152,358	22,396,263	10,756,095	11,227,565

4. Parliamentary appropriation receivable (deferred)

	1995	1994
	$	$
Balance at beginning of year	(1,893,335)	333,165
Credited to equity		
—Operations	18,538,835	19,957,000
—Major repairs and improvements	2,100,500	2,058,500
	20,639,335	22,015,500
Received during the year	(15,584,000)	(24,242,000)
Balance at end of year	3,162,000	(1,893,335)

5. Equity

The equity comprises the following:

	1995	1994
	$	$
Equity funded by the portion of the Parliamentary appropriation allocated for major repairs and improvements to the National Arts Centre buildings	8,226,320	8,021,823
Remaining balance	1,899,616	1,847,573
Equity	10,125,936	9,869,396

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1995—*Concluded*

6. National Arts Centre Foundation

The National Arts Centre Foundation was established in 1992 for the purpose of recognizing, stimulating and promoting excellence in the creation and performance of the arts of the stage by the award of bursaries, prizes and grants. On November 4, 1994, the Corporation decided to discontinue the Foundation, subject to the application of all remaining monnies in the fund for the original purposes of the Foundation.

A summary of the transactions related to the Foundation is provided below:

	1995	1994
	$	$
Balance at the beginning of year	182,988	136,300
Donations		193,649
Interest revenue	10,140	9,977
Fundraising expenses		(100,224)
Bursaries, prizes and grants	(17,500)	(31,000)
Administrative expenses	(7,149)	(25,714)
Net (expenses) revenue	(14,509)	46,688
Balance at end of year	168,479	182,988

7. Artistic Development Fund

On November 4, 1994, the Corporation decided that a fund, to be known as the "Artistic Development Fund", be set up for the purpose of recognizing, stimulating and promoting excellence in the creation and performance of the arts of the stage by the award of bursaries and prizes to worthy recipients and by grants for worthy projects.

A summary of the transactions related to the Fund is provided below:

	1995
	$
Balance at the beginning of year	
Donations	258,683
Fundraising expenses	(134,711)
Administrative expenses	(60,176)
Net revenue and balance at end of year	63,796

8. Reserve for 25th anniversary

The Corporation designated a reserve of $1,000,000 out of the equity at August 31, 1992, which was reduced to $500,000 as of August 31, 1993, for the purpose of celebrating the National Arts Centre's 25th anniversary in 1993-94. On May 6, 1994, the Corporation carried forward $90,000 from the $500,000 reserve to the 1994-95 fiscal year. The net expenses in 1994-95 and 1993-94 were $90,000 and $415,514 respectively.

9. Expense reduction and restructuring

As part of a plan to reduce operating costs, the Corporation decided on June 2, 1995, to reduce the salary envelope through voluntary retirements and layoffs. The total estimated cost of the severance packages is $1,277,000 of which $1,021,000 has been accrued and expensed during the current year and the balance of $256,000 had been accrued in previous years. Management anticipates to recover $300,000 approximately from the Central Reserve established by Treasury Board.

10. Related party transactions

In addition to transactions outlined in Note 4, the Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations.

During the year, transactions with these related entities were in the normal course of business on normal trade terms applicable to all individuals and enterprises.

11. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. In Management's opinion, the outcome of these actions is not likely to result in any material liabilities.

NATIONAL ARTS CENTRE CORPORATION—*Concluded*

SCHEDULE OF REVENUE AND EXPENSES—
PERFORMING ARTS PROGRAMMES
FOR THE YEAR ENDED AUGUST 31, 1995 SCHEDULE 1

	1995	1994
	$	$
Revenue		
Music	3,222,781	2,453,427
Theatre	1,990,462	1,761,168
Rental of halls	1,895,389	1,322,738
Dance	1,360,252	1,223,502
Special events	303,654	24,136
Television	5,372	2,818
Variety		167,640
	8,777,910	6,955,429
Expenses		
Music	7,445,176	6,547,597
Theatre	4,512,303	4,500,541
Rental of halls	1,116,010	696,935
Dance	2,296,232	2,611,161
Special events	363,159	215,132
Television	394,218	784,051
Variety		145,266
	16,127,098	15,500,683
Excess of expenses over revenue	7,349,188	8,545,254

SCHEDULE OF REVENUE AND EXPENSES—
COMMERCIAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 1995 SCHEDULE 2

	1995	1994
	$	$
Revenue		
Restaurants	6,087,285	5,773,998
Garage	2,121,296	1,910,736
	8,208,581	7,684,734
Expenses		
Restaurants	5,896,036	5,579,168
Garage	460,943	473,415
	6,356,979	6,052,583
Excess of revenue over expenses	1,851,602	1,632,151

SCHEDULE OF EXPENSES BY CATEGORY
FOR THE YEAR ENDED AUGUST 31, 1995 SCHEDULE 3

	1995	1994
	$	$
Salaries, wages and employee benefits	14,060,579	14,486,892
Performers' fees and expenses	8,429,895	8,007,069
Amortization	2,802,361	2,555,931
Advertising and promotion	2,096,046	2,464,045
Cost of sales—Commercial services	2,043,518	1,996,405
Repairs and maintenance	1,582,502	1,455,976
Utilities	1,487,453	1,523,169
Artistic co-production expenses	1,072,588	1,417,524
Professional fees and expenses	964,225	684,931
Office expenses	643,143	522,463
Production expenses	584,023	588,586
Travel and duty entertainment	364,254	246,242
Commissions and service charges	288,752	254,229
Supplies and expenses—Commercial services	208,374	188,129
Telecommunications	150,918	129,069
Furniture and equipment	137,844	179,205
Insurance	70,142	68,610
Warehouse rent	48,041	39,536
Other	42,817	54,310
	37,077,475	36,862,321

NATIONAL CAPITAL COMMISSION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Capital Commission are the responsibility of management and have been approved by the members of the Commission. These financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, they include amounts that have been estimated according to management's best judgement.

Management has developed and maintains books of accounts, records, financial and management controls and information systems. These are designed to provide reasonable assurance that the Commission's assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *National Capital Act* and the by-laws of the Commission. Internal audits are conducted to assess the performance of information systems and management controls and practices.

The Commission's external auditor, the Auditor General of Canada, has audited the financial statements and has reported on his audit to the Commission and to the Minister of Canadian Heritage.

The members of the Commission carry out their responsibilities for the financial statements principally through the Corporate Audit and Evaluation Committee, which consists of members of the Commission only. The Corporate Audit and Evaluation Committee meets periodically with management, as well as with the internal and external auditors to discuss the results of the audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. The external and internal auditors have full access to the Corporate Audit and Evaluation Committee, with or without the presence of management.

Marcel Beaudry
Chairman

Robin Young
Vice-President, Strategic Planning and
Information Management

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Capital Commission as at March 31, 1996, and the statements of operations, equity and changes in cash resources for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements, based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for sponsorships contributions as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *National Capital Act* and the by-laws of the Commission.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 5, 1996

NATIONAL CAPITAL COMMISSION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash and short-term deposits (Note 4)	41,966	18,173
Accounts receivable		
Federal government departments and agencies	1,223	1,688
Tenants and others	2,782	2,282
Operating supplies, small tools and nursery stock	328	571
Prepaid expenses	1,883	2,412
	48,182	25,126
Trust account (Note 5)	4,079	3,862
Land, buildings and equipment (Note 6)	354,907	348,722
	407,168	377,710

LIABILITIES	1996	1995
Current		
Accounts payable and accrued liabilities		
Federal government departments and agencies	2,391	772
Others	26,092	31,720
Holdbacks and deposits from contractors and others	1,200	1,576
Deferred revenue	8,020	
	37,703	34,068
Long-term		
Accrued employee termination benefits	3,769	4,083
Unsettled expropriations of property	729	711
Deferred insurance proceeds (Note 5)	4,079	3,862
Deferred rent inducement	4,321	4,504
Restructuring cost	1,334	2,562
	14,232	15,722
	51,935	49,790
EQUITY OF CANADA	355,233	327,920
	407,168	377,710

The accompanying notes are an integral part of the financial statements.

Approved by the Commission:

MARCEL BEAUDRY
Chairman

PIERRE ISABELLE
Chairman, Corporate Audit and Evaluation Committee

NATIONAL CAPITAL COMMISSION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Income		
Rental operations and easements	13,913	13,544
Interest	1,426	1,474
Net gain on disposal of land, buildings and equipment	15,714	3,984
Sponsorship		
Cash	792	835
Goods and services in kind	1,615	439
User access fees	1,070	802
Other fees and recoveries	3,217	3,402
Parliamentary appropriations	73,767	86,674
	111,514	111,154
Cost of operations (Note 7)		
Planning the National Capital Region	2,273	2,598
Promoting and animating the Capital Region	14,869	14,073
Real asset management and development	59,763	72,785
Corporate services	24,503	25,343
Restructuring cost	(380)	13,828
	101,028	128,627
Net income (Net cost of operations)[1]	10,486	(17,473)

[1] ANALYSIS OF FUNDING THE COST OF OPERATIONS

Net income (Net cost of operations)	10,486	(17,473)
Expenses not requiring funding		
Amortization	13,788	13,810
Deferred rent inducement	(183)	439
Net gain on disposal of land, buildings and equipment	(15,714)	(3,984)
Proceeds from disposal of equipment	330	
Transfer from disposal of land (Note 4)		2,079
Disposal expenses	275	293
Interest revenue	(292)	(203)
Prior year commitments carry-over	(8,083)	(3,044)
Excess of funding over cost of operations (Cost of operations over funding)	607	(8,083)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance at beginning of year	327,920	329,996
Net income (Net cost of operations)	10,486	(17,473)
Parliamentary appropriations to acquire and improve land, buildings and equipment	16,827	15,397
Balance at end of year	355,233	327,920

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Net income (Net cost of operations)	10,486	(17,473)
Items not involving cash		
Amortization	13,788	13,810
Net gain on disposal of land, buildings and equipment	(15,714)	(3,984)
Net change in non-cash working capital balances related to operations	4,372	5,862
Net change in cash restricted as to use and long-term liabilities	(1,707)	4,788
	11,225	3,003
Financing activities		
Parliamentary appropriations to acquire and improve land, buildings and equipment	16,827	15,397
Proceeds on disposal of land, buildings and equipment	19,164	4,569
	35,991	19,966
Investing activities		
Acquisitions and improvements to land, buildings and equipment	(23,423)	(24,725)
Increase (decrease) in cash and short-term deposits	23,793	(1,756)
Beginning of year	18,173	19,929
End of year	41,966	18,173

The accompanying notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1996

1. Authority and objectives

The National Capital Commission was established in 1958 by the *National Capital Act*. The Commission is an agent Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act*. The objects and purposes of the Commission, as stated in the *National Capital Act* as amended in 1988, are to:

(a) prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance;

(b) organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada and the heritage of the people of Canada; and

(c) coordinate the policies and programs of the Government of Canada respecting the organization, sponsorship or promotion by departments of public activities and events related to the National Capital Region.

The Commission is also responsible for the management and maintenance of the Official Residences located in the National Capital Region.

2. Accounting policy change

The Commission is able to enhance its programming through financial, promotional and sponsorship contributions.

In order to better report on its activities, the Commission is now accounting for sponsorship received in the form of goods and services. These contributions are recorded at their fair market value and are comprised principally of services received in the areas of radio and print promotion, loans of equipment, vehicles and various installations, air and ground transportation, as well as hotel and restaurant services.

This change was applied retroactively and has led to an increase in the following financial statement items:

	1996	1995
	(in thousands of dollars)	
Statement of operations		
Income		
Sponsorship		
Goods and services in kind.........	1,615	439
Cost of operations		
Promoting and animating the		
Capital Region..................	1,615	439
Net income.........................		

The comparative financial statements dated March 31, 1995 have been restated to reflect this change in accounting policy. Because there is no impact on the annual net income, the Equity of Canada is unchanged.

3. Significant accounting policies

(a) Land, buildings and equipment

Land, buildings and equipment are generally recorded at historical cost. Property acquired at nominal cost or by donation is recorded at market value at time of acquisitions, except for properties of historical significance whose market value cannot be reasonably determined. These are recorded at nominal value. Artifacts donated to the Canadiana Fund are recorded at nominal value. Property acquired by exchange is recorded at the carrying value of the assets disposed of in the transaction. Improvements that extend the useful life of buildings and equipment are recorded at cost.

(b) Amortization

Amortization of assets in use is charged to operations in equal annual amounts based on the cost of the assets, their estimated useful life and their final salvage value. Useful life of assets is estimated as follows:

Buildings	20 years
Parkways, roadways and bridges	25 years
Park landscaping and improvement	25 years
Leasehold improvements	Term of lease
Machinery and equipment	10 years
Office furniture	10 years
Office equipment	5 years
Vehicles	5 years
Antiques and works of art	10 years
Computer and communications equipment	5 years

(c) Operating supplies, small tools and nursery stock

Operating supplies and small tools are carried at cost. Nursery stock is valued at estimated cost.

(d) Pension plan

Commission employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the Commission and are charged to operations on a current basis. The Commission is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee termination benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Parliamentary appropriations

Parliamentary appropriations for operating expenditures and grants and contributions to other levels of government and other authorities are included as income. Parliamentary appropriations to acquire and improve land, buildings and equipment are credited to equity of Canada.

(g) Workers' compensation

The Commission assumes all risks for workers' compensation claims. The costs of claims resulting from injuries on duty are recorded in the years when compensation payments are due.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1996—*Continued*

4. Cash and short-term deposits

Cash and short-term deposits at year-end amounted to $42 million. Included in this cash balance are funds that are restricted:

(a) Cash donations received for the Canadiana Fund in the amount of $41,341;

(b) Funds, in the amount of $27.559 million, as follows:

(i) funds of $1.857 million relating to a 1990 long-term lease transaction that, pursuant to Governor in Council authority, have been restricted for the acquisition of environmentally sensitive lands;

(ii) funds of $11.332 million generated by the disposal of surplus properties that may be used to acquire real property or to support other major programs, as may be authorized by Treasury Board and Governor in Council;

(iii) funds of $6.35 million arising from the disposal of land provided as part of the American Chancery transaction and restricted for the Champlain Bridge rehahilitation;

(iv) funds of $8.02 million from Public Works and Government Services Canada to their contribution towards the Laurier and MacKenzie King Bridge projects restricted for Champlain Bridge projects restricted for Champlain bridge rehabilitation and not subject to the Treasury Board's Drawdown Policy;

(v) details of transactions are highlighted in the following analysis:

	Environmentally sensitive lands	Champlain Bridge	Others	Total
	(in thousands of dollars)			
Cash available at beginning of year	1,812		7,131	8,943
Proceeds on disposal		6,350	6,434	12,784
Deferred revenue		8,020		8,020
Acquisition/Disposal expenses			(275)	(275)
Interest	45		247	292
Acquisitions			(1,039)	(1,039)
Transfer to capital budgets			(1,166)	(1,166)
Cash available at the end of year	1,857	14,370	11,332	27,559

5. Trust account

The Commission has segregated funds received in respect of a claim for damages arising from injuries sustained in an accident by an NCC employee. These funds have been paid to the Commission, as it will be responsible for paying the continuing cost relating to this claim settlement.

6. Land, buildings and equipment

	1996			1995
	Historical cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land and buildings				
Greenbelt	68,526	20,732	47,794	47,756
Gatineau Park	45,237	8,449	36,788	36,016
Parkways	105,189	50,349	54,840	54,797
Parks	38,074	17,709	20,365	17,358
Bridges and approaches	32,832	20,276	12,556	12,552
Historical sites	34,476	19,333	15,143	15,508
Recreational facilities	24,644	13,919	10,725	11,030
Rental properties	124,566	16,039	108,527	110,632
Development properties	31,052	3,342	27,710	21,556
Unsettled expropriations	729		729	711
Administrative and service buildings	16,264	11,153	5,111	6,291
	521,589	181,301	340,288	334,207
Less: provision for transfers(1)	1,838		1,838	1,838
Less: provision for environmental clean-up (Note 9)	464		464	
	519,287	181,301	337,986	332,369
Leasehold improvements	5,398	283	5,115	4,459
Equipment				
Machinery and equipment	4,407	2,692	1,715	2,102
Office furniture and equipment	3,233	1,205	2,028	2,617
Vehicles	3,885	2,572	1,313	1,645
Computer and communications equipment	17,639	11,111	6,528	5,370
Antiques and works of art	1,866	1,644	222	160
	31,030	19,224	11,806	11,894
Total	555,715	200,808	354,907	348,722

(1) Provision for transfers pertains to property to be transferred in accordance with agreements with the Province of Quebec. This includes lands to be given free of charge for the approaches to the MacDonald-Cartier Bridge and the transfer for $1 of lands to be used as a right-of-way for Highway 550.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1996—*Continued*

7. Cost of operations

(a) Summary of expenses by major classification

	1996	1995
	(in thousands of dollars)	
Salaries and employee benefits	41,580	45,094
Goods and services	27,177	27,264
In kind services	1,615	439
Grants in lieu of municipal taxes	15,443	15,047
Contributions	1,805	13,145
Amortization	13,788	13,810
Restructuring costs	(380)	13,828
	101,028	128,627

(b) Sector definitions and objectives

The Commission uses four sectors to structure its activities. Short-, medium- and long-term objectives linked to the mandate and mission have been developed for each. The following are the long-term objectives established for each sector:

Planning the National Capital Region

To guide the physical development and use of federal lands, to coordinate and achieve excellence in design and to plan development that is appropriate to the role and significance of the Capital of Canada.

Promoting and animating the Capital Region

To increase awareness of the Capital Region outside the National Capital Region through national marketing campaigns, communications contacts (broadcasting) and outreach activities and to present the capital to visitor as a place to experience Canadian heritage, culture and achievements through varied services, events and programs.

Real asset management and development

To manage and protect physical assets of national significance on behalf of future generations of Canadians.

Corporate services

To promote efficient and productive use of resources through the centralized provision of corporate services to all of the business lines.

(c) Restructuring costs

As a result of the February 27, 1995 Federal Budget, NCC appropriations have been reduced by $21.4 million over the years 1995-96 to 1997-98. This reduction has been realized through a significant down-sizing of the Commission's workforce. Restructuring costs, estimated at $13.8 million over the three years, were expensed in 1994-95.

8. Major commitments

(a) The Commission is committed to contribute to the Province of Quebec, one-half of the cost of a road network within the Quebec portion of the National Capital Region. The Commission's remaining commitment to be paid over future years is estimated at $90 million but is payable only when funding is approved by the Parliament. As of March 31, 1996 cumulative expenditures have totalled $181.3 million.

(b) The Commission has entered into agreements for services, leases of equipment and operating leases for office accommodations. The agreements, showing different termination dates, with the latest ending in 2019, total $125 million.

The Commission has also privatized the management and maintenance of a portion of its lands and properties as part of the federal government's program review. Contracts totalling $38 million have been awarded for these functions; contracts will terminate from 1999 to 2001.

Minimum annual payments under these agreements for the next five years are approximately as follows:

	(in thousands of dollars)
1996-1997	15,015
1997-1998	15,175
1998-1999	13,536
1999-2000	8,486
2000-2001	8,806

(c) The Province of Quebec has expropriated certain lands in the City of Hull on behalf of the Commission. An amount of $1.25 million will be payable in exchange for appropriate title documents.

(d) The Commission has entered into contracts for capital expenditures estimated to cost approximately $5.9 million. Payments under these contracts are expected to be made in 1996-97.

9. Contingencies

(a) Claims

Claims have been made against the Commission totalling approximately $13.8 million for alleged damages and other matters. The final outcome of these claims is not determinable and accordingly these items are not recorded in the accounts. In the opinion of management, the position of the Commission is defensible. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the liability is determined.

(b) Agreement with the Province of Ontario

In 1961, the Commission entered into an agreement whereby the Province of Ontario established and maintains 2,761 hectares (6,820 acres) of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expenses over revenues, or the Province will pay the Commission the excess of revenues over expenses. As per the latest report from the Province, at March 31, 1994, cumulative expenses exceeded cumulative revenues by $1.2 million, and are not reflected in the accounts of the Commission.

(c) Environmental protection

The Commission has conducted a preliminary analysis that has identified certain properties that qualify for potential decontamination. In the situations where the decontamination is probable and the cost can be reasonably estimated, the Commission has capitalized the costs of environmental cleanup and has recorded a provision against its assets. In other situations, no amount has been recorded because of the extent of the contamination, cost of clean-up and funding requirements cannot be reasonably assessed until further on-site testing is completed.

NATIONAL CAPITAL COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1996—*Concluded*

10. Related party transactions

The Commission is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by the Parliament of Canada. In addition to the related party transactions described below and those disclosed elsewhere in these financial statements, the Commission also enters into transactions with Crown entities in the normal course of business.

(a) Canada Museums Construction Corporation Inc.

The Commission permitted the Canada Museums Construction Corporation Inc. to construct the Canadian Museum of Civilization on Commission lands. The Commission is in the process of transferring the lands in question to Public Works and Government Services Canada in exchange for other properties of equal value.

(b) Public Works and Government Services Canada

Public Works and Government Services Canada acts as an agent for the Commission with respect to expropriation of properties. Fees charged are based on standard rates set by Public Works and Government Services Canada. The Commission has also entered into an agreement with Public Works and Government Services Canada whereby the latter will, with respect to the Official Residences, provide certain property services at rates established with the Commission and approved by Treasury Board.

11. Subsequent events

(a) On April 1, 1996, the Commission transferred equipment, via sales-type lease, to Employee Takeover Corporations as part of the program review strategy.

As of this date, the Commission has accounted for the investment in sales-type leases as follows:

	(in thousands of dollars)
Total minimum payments according to the sales-type leases	
1996-97	283
1997-98	283
1998-99	282
	848
Unearned income	91
	757

The recording of this transaction in the 1996-97 financial statements will result in a reduction of the land, buildings and equipment on the Balance Sheet by $801,452, and a net investment in Sales-Type Leases of $756,955 will be reported. The transaction will be reflected on the Statement of Operations as a loss on disposal of land, buildings and equipment of $44,497. The NCC will also report financing income at an annual imputed rate of 8.25%.

(b) At the beginning of the 1996-97 fiscal year, the Commission contributed to the construction of the Draveurs Parkway project in Gatineau. The contribution took the form of a land transfer with a value of $6.05 million. In the Balance Sheet as of March 31, 1997, the land, buildings and equipment balance will be reduced by this amount, and a contribution of an equal amount will be reported in the Statement of Operations.

(c) In 1995-96, the Commission signed an agreement to sell the Laurier and MacKenzie King Bridges to the Regional Municipality of Ottawa-Carleton for consideration of one dollar.

The obligation for future maintenance and rehabilitation of these bridges, estimated at $27,147,687 (NCC share of $19,538,621 and Public Works and Government Services Canada share of $7,609,066), will also be assumed by the Regional Municipality of Ottawa-Carleton in the 1996-97 fiscal year in exchange for land, an easement and a licencing agreement.

This transaction will be finalized in the 1996-97 fiscal year and will be accounted for through the recording of a contribution of $19,538,621, the disposal of land and buildings for a net book value of approximately $7,551,364, the recording of a cash inflow of $4,634,000, the recognition of rental operations and easements revenue totalling $2,247,000 and the realization of a gain on disposal of land, buildings and equipment of approximately $24,118,636.

NATIONAL GALLERY OF CANADA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Gallery of Canada (the Gallery) and all information in this annual report are the responsibility of management. The financial statements include some amounts that are necessarily based on management's estimates and judgment.

The financial statements have been prepared in accordance with generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are maintained and transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act*, and the by-laws of the Gallery.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for maintaining adequate control systems and the quality of financial reporting. The Audit and Evaluation Committee of the Board of Trustees meets regularly with management and internal and external auditors to discuss auditing, internal controls and other relevant financial matters. The Committee reviews the financial statements and presents its recommendation to the Board of Trustees. The Board of Trustees approves the financial statements.

The external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon to the Minister responsible.

Dr. Shirley L. Thomson
Director

Yves Dagenais
Deputy Director

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Gallery of Canada as at March 31, 1996 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Gallery's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Gallery that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act*, and the by-laws of the Gallery.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1996

NATIONAL GALLERY OF CANADA—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash and short-term investments (Note 3)	6,725	5,389
Accounts receivable	817	987
Inventories	663	726
Prepaid expenses	70	28
	8,275	7,130
Restricted cash and investments (Note 3)	3,191	3,683
Long-term receivable—Trust account	379	372
Collections	1	1
Capital assets (Note 4)	7,876	7,783
	19,722	18,969

LIABILITIES	1996	1995
Current		
Accounts payable and accrued liabilities (Note 5)	4,504	5,885
Special purpose account (Note 6)	640	1,358
	5,144	7,243
Accrued employee termination benefits	1,125	1,125
Trust accounts (Note 7)	2,930	2,697
EQUITY		
Equity of Canada (Note 8)	10,523	7,904
	19,722	18,969

The accompanying notes form an integral part of the financial statements.

Approved by the Board of Trustees:

JEAN-CLAUDE DELORME
Chairperson

RUTH FREEMAN
Vice-Chairperson

NATIONAL GALLERY OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Expenses		
Collect	8,876	7,184
Educate and communicate	12,687	13,493
Accommodate	12,111	13,907
Administer	3,651	4,051
Total expenses (Schedule 1)	37,325	38,635
Total revenue (Schedule 2)	5,508	4,267
Net cost of operations	31,817	34,368

The accompanying notes form an integral part of the financial statements.

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance at beginning of year	7,904	7,873
Parliamentary appropriations		
—Operating and capital expenditure	30,575	32,445
—Works of art for the collections (Note 6)	3,861	1,954
Net cost of operations	(31,817)	(34,368)
Balance at end of year	10,523	7,904

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Net cost of operations	(31,817)	(34,368)
Items not affecting funds		
Amortization	1,215	1,733
Accrued employee termination benefits		(62)
Loss on disposal of capital assets	33	9
	(30,569)	(32,688)
Decrease (increase) in non-cash working capital components	(1,190)	782
Funds applied to operating activities	(31,759)	(31,906)
Investing activities		
Purchase of capital assets	(1,345)	(1,143)
Proceeds from disposal of capital assets	4	
Funds applied to investing activities	(1,341)	(1,143)
Financing activities		
Parliamentary appropriations		
—Operating and capital expenditure	30,575	32,445
—Works of art for the collections	3,861	1,954
Funds provided by financing activities	34,436	34,399
Increase in funds during the year	1,336	1,350
Cash and short-term investments at beginning of year	5,389	4,039
Cash and short-term investments at end of year (Note 3)	6,725	5,389

The accompanying notes form an integral part of the financial statements.

NATIONAL GALLERY OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority, objectives and activities

The National Gallery of Canada (the Gallery) was established on July 1, 1990 by the *Museums Act* as a Crown corporation under Part I of Schedule III to the *Financial Administration Act*.

The Gallery's mandate as stated in the *Museums Act* is to develop, maintain and make known throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive reference to Canada, and to further knowledge, understanding and enjoyment of art in general among all Canadians. The Gallery's operations comprise the National Gallery of Canada and its affiliate the Canadian Museum of Contemporary Photography (CMCP).

The National Gallery's operations are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

Collect

To acquire, preserve, research and record historic and contemporary works of art, both national and international, to represent Canada's visual arts heritage and to use in its programs.

Educate and communicate

To further knowledge, understanding and enjoyment of the visual arts among all Canadians and to make the collections known both in Canada and abroad.

Accommodate

To provide a secure and suitable facility for the preservation and exhibition of the national collections of visual arts that is readily accessible to the public.

Administer

To provide direction, control and effective development and administration of resources.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are:

(a) Inventories

Inventories are valued at the lower of cost or market value. The market value of books and publications is determined by the lower of the retail price and the net value. The net value is represented by the cost which is written down over a maximum of three years to take into account obsolescence.

All other stock items have a market value representing their retail price.

(b) Capital assets

Capital assets are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Equipment and furniture	5 to 12 years
Leasehold improvements—CMCP	25 years
Building improvements—NGC	25 years
Vehicles	5 years

Expenses related to the design and development of exhibits are charged to operations in the year in which they occur.

The original cost of the buildings occupied by the Gallery is not shown in the financial statements. The buildings are owned by the Government of Canada.

(c) Collections

The Gallery holds collections of works of art for the benefit of Canadians, present and future. The collections are shown as an asset at a nominal value of $1,000 on the balance sheet to ensure that the reader is aware of their existence. Works of art purchased for the collections of the Gallery are, in the year of acquisition, recorded as an expense or accounted for in the trust account depending on the source of funds. Works of art donated to the Gallery are not recorded in the books of account.

(d) Pension plan

The employees of the Gallery participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Gallery contribute equally to the cost of the Plan. This contribution represents the total liability of the Gallery. Contributions in respect of current service are expended during the year in which services are rendered. Admissible past service contributions are expended when paid. The terms of payment are set by the applicable purchase conditions.

The Gallery is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee termination benefits

On termination of employment, employees of the Gallery are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(f) Trust accounts

The Gallery accounts for receipts of gifts or bequests as trust accounts. Expenditures relating to these funds are restricted and are charged against the relevant portion of the trust accounts in the year they are made. Transactions in the trust accounts are not recorded in the statement of operations.

(g) Parliamentary appropriations

Parliamentary appropriations for operating and capital expenditures and the purchase of works of art are recorded in the year to which they apply, and are credited to the Equity of Canada.

(h) Bookstore and publishing

Expenses for the bookstore and publishing, including costs relating to personnel, travel, transportation and advertising are included in operating expenses.

NATIONAL GALLERY OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

3. Restricted cash and investments

In 1996, the Gallery changed retroactively its classification of Cash and short-term investments. Previously this account included amounts for the Special purpose account (Note 6) as well as the Trust accounts (Note 7). Considering that expenditures for these two accounts are restricted to specific objectives, amounts relating to these accounts are shown separetely as "Restricted cash and investments".

The effects of this change in classification on the financial statements are as follows:

	1996	1995
	(in thousands of dollars)	
Cash and short-term investments	9,916	9,072
Less		
Restricted cash and investments—Reclassified	3,191	3,683
Cash and short-term investments—Restated	6,725	5,389

Restricted cash and investments consist of :

	1996	1995
	(in thousands of dollars)	
Trust accounts	2,930	2,697
Less: long-term receivable—Trust account	379	372
	2,551	2,325
Special purpose account	640	1,358
	3,191	3,683

4. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Equipment and furniture	6,629	4,128	2,501	2,796
Leasehold improvements—CMCP	3,981	637	3,344	3,504
Building improvements—NGC	2,369	345	2,024	1,474
Vehicles	14	7	7	9
	12,993	5,117	7,876	7,783

5. Accounts payable and accrued liabilities

	1996	1995
	(in thousands of dollars)	
Trade	2,393	2,515
Due to Government departments and Crown corporations	958	1,950
Accrued salaries and vacation pay	1,004	1,276
Others	149	144
	4,504	5,885

6. Special purpose account—Purchase of works of art for the collections

In 1995-96, Parliament approved a $3,000,000 payment (1994-95—$3,000,000) to the Gallery, for the purchase of works of art for the collections, which the Gallery maintains in a special purpose account. The balance at the end of a year is available for purchases in subsequent years. This provides the means to acquire, when opportunities arise, historically important, unique and high quality works that strengthen the collections.

	1996	1995
	(in thousands of dollars)	
Balance at beginning of year	1,358	219
Parliamentary appropriation	3,000	3,000
Interest	143	93
Total available	4,501	3,312
Purchase of objects for the collections of the Gallery (Note 10)	3,861	1,954
Balance at end of year	640	1,358

7. Trust accounts

The Gallery maintains various trust accounts. Most of the funds are for purchases of works of art or other specific activities such as exhibitions, publications, education programs or research.

The following summarizes the transactions for the year:

	1996	1995
	(in thousands of dollars)	
Balance at beginning of year	2,697	2,499
Revenue for the year		
Interest	181	149
Gifts and bequests	130	86
Total revenue	311	235
Expenditure for the year		
Purchase of works of art for the collections (Note 10)	9	
Other	69	37
Total expenditure	78	37
Increase in funds	233	198
Balance at end of year	2,930	2,697

8. Equity of Canada

The Equity of Canada represents the book value of assets and liabilities transferred from the former National Museums of Canada as of July 1, 1990 and the accumulated net results of the operations of the Gallery to date.

NATIONAL GALLERY OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

9. Related party transactions

Public Works and Government Services Canada pays for the grants in lieu of taxes with respect to the Gallery building and surrounding property. These have been evaluated at $3,327,000 (1994-95—$3,447,000) and have not been recorded in the financial statements.

In addition to those related party transactions disclosed elsewhere in these financial statements, the Gallery is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Gallery enters into transactions with these entities in the normal course of business.

10. Collections

Acquisitions of works of art for the collections were made through the following:

	1996	1995
	(in thousands of dollars)	
Purchase from special purpose account (Note 6)	3,861	1,954
Gift or bequest, at fair market value	10,867	1,306
Purchase from trust accounts (Note 7)	9	
	14,737	3,260

11. Commitments

As at March 31, 1996, there remains $10,388,000 to be paid pursuant to various agreements. The major portion relates to the remainder of a 49 year lease with the National Capital Commission for the CMCP facility. The future minimum payments are as follows:

	(in thousands of dollars)
1996-1997	345
1997-1998	915
1998-1999	212
1999-2000	212
2000-2001	212
2001-2041	8,492

12. Comparative figures

Certain reclassifications have been made to the 1995 comparative figures to conform with the current year's presentation.

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars) SCHEDULE 1

	1996	1995
Salaries and employee benefits	13,859	14,519
Repairs and upkeep of building and equipment	4,344	5,239
Purchase of works of art for the collections (Note 10)	3,861	1,954
Professional and special services	3,456	3,186
Utilities, materials and supplies	2,838	3,379
Protective services	2,368	2,763
Cost of goods sold—Bookstore and publishing	1,804	1,756
Amortization	1,215	1,733
Advertising	698	798
Travel	603	828
Postage, freight, express and cartage	539	765
Publications	448	483
Grants in lieu of taxes—CMCP	316	269
Communications	267	277
Library purchases	244	301
Rent—CMCP	212	212
Rentals	94	117
Miscellaneous	159	56
	37,325	38,635

SCHEDULE OF REVENUE
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars) SCHEDULE 2

	1996	1995
Bookstore and publishing	2,808	2,111
Admissions	682	494
Parking	509	448
Interest	351	240
Sponsorships	320	203
Rental of public spaces	177	146
Travelling exhibitions	147	162
Memberships	135	110
Art loans—Recovery of expenses	97	132
Food services	66	68
Other	216	153
	5,508	4,267

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and by-laws of the corporation.

The Board of Trustees is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister responsible for the Corporation.

Geneviève Sainte-Marie
Director

Graham Parsons
Director General, Corporate Services

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Museum of Science and Technology as at March 31, 1996, and the statements of operations, equity of Canada, and changes in financial position for the year then ended. These financial statements are the responsibility of the Museum's management. My responsibility is to express an opinion on these financial statements, based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Museum that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 14, 1996

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995
Current		
Cash and short-term investments	2,864	1,764
Accounts receivable		
—Government departments	506	509
—Other	160	79
Inventories (Note 3)	326	425
Prepaid expenses	36	4
	3,892	2,781
Trust account (Note 4)	712	668
Collection	1	1
Property and equipment (Note 5)	6,386	6,285
	10,991	9,735

LIABILITIES AND EQUITY OF CANADA	1996	1995
Current		
Accounts payable and accrued liabilities		
—Government departments	522	806
—Other	1,696	2,122
Current portion of accrued employee termination benefits	111	103
Deferred revenue	75	5
	2,404	3,036
Accrued employee termination benefits	781	735
Trust account (Note 4)	712	668
	3,897	4,439
Equity of Canada	7,094	5,296
	10,991	9,735

Approved by Management:

GENEVIÈVE SAINTE-MARIE
Director

GRAHAM PARSONS
Director General, Corporate Services

Approved by the Board of Trustees:

DAVID W. STRANGWAY
Chairperson

LEON F. LOUCKS
Chairperson, Audit Committee

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Revenue		
National Museum of Science and Technology:		
Admissions and memberships	871	806
Commercial operations (Schedule 2)	1,104	863
Sponsorship	44	228
Other museum services	347	152
	2,366	2,049
National Aviation Museum:		
Admissions and memberships	239	269
Commercial operations (Schedule 2)	351	331
Sponsorship	19	20
Other museum services	160	103
	769	723
Interest	186	196
Total revenue	3,321	2,968
Expenses (Schedule 1)		
National Museum of Science and Technology:		
Display facility operation	6,818	7,528
Collection management	5,278	5,883
	12,096	13,411
National Aviation Museum:		
Display facility operation	3,004	3,069
Collection management	2,163	2,120
	5,167	5,189
Support activities	4,038	4,976
Amortization	995	1,063
Total expenses	22,296	24,639
Excess of expenses over revenue	18,975	21,671

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Balance at the beginning of the year	5,296	6,099
Parliamentary appropriation	20,773	20,868
Excess of expenses over revenue	(18,975)	(21,671)
Balance at the end of the year	7,094	5,296

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996	1995
Operating activities		
Excess of expenses over revenue	(18,975)	(21,671)
Items not affecting funds		
Amortization	995	1,063
Employee termination benefits	46	(168)
Gain on disposal of property and equipment	(9)	(19)
Change in non-cash operating working capital items	(643)	842
Funds applied to operating activities	(18,586)	(19,953)
Financing activities		
Parliamentary appropriation	20,773	20,868
Investing activities		
Additions to property and equipment (net)	(1,087)	(1,219)
Increase (decrease) in cash and short-term investments	1,100	(304)
Cash and short-term investments at the beginning of the year	1,764	2,068
Cash and short-term investments at the end of the year	2,864	1,764

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority, mandate and operations

The National Museum of Science and Technology was established by the *Museums Act* on July 1st, 1990, and is an agent Crown Corporation named in Part I of Schedule III to the *Financial Administration Act*.

The mandate of the Corporation as stated in the *Museums Act* is to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technical objects, with special but not exclusive reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The Corporation's operations comprise the National Museum of Science and Technology, the National Aviation Museum and common support activities. Each Museum's operations are divided into two complementary activities:

Display facility operation

The operation of the public facilities of the Museum, including the development and maintenance of exhibits, interpretation, communication and promotion, gift shops, food services and other services to visitors.

Collection management

Curatorial research, cataloguing, documentation, conservation and restoration of the collection, the library and related services.

2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are:

(a) Inventories

Inventories are valued at the lower of cost and net realizable value.

(b) Collection

The collection constitutes the major portion of the Corporation's assets but is shown at a nominal value of $1,000 on the balance sheet because of the practical difficulties in reflecting it at a meaningful value. Objects purchased for the collection are recorded as expenses in the year of acquisition. Objects donated to the Corporation are not recorded in the books of account.

(c) Property and equipment

Property and equipment are recorded at cost. Capital assets are amortized using the straight-line method over their estimated useful lives as follows:

Building renovations	10 to 25 years
Equipment	5 to 12 years
Office furniture	5 to 10 years

(d) Pension plan

The employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service are expensed during the year in which the service is rendered. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Commercial operations

Operating expenses of gift stores, cafeterias and product marketing, including costs relating to personnel, travel, transportation, advertising, building maintenance, rent and utilities, are included in operating expenses.

(f) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Parliamentary appropriation

Operating expenses and the acquisition of property and equipment are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

3. Inventories

	1996	1995
	(in thousands of dollars)	
Books, pamphlets, replicas and other materials	323	302
Publications in process	3	123
	326	425

4. Trust account

This account was established by sub-section 15(1)(m) of the *Museums Act*, and is credited with moneys received by the Corporation by way of gift, bequest or otherwise, interest on securities, rent or sales of real property acquired by the Corporation by way of gift, bequest or otherwise. Also an amount representing interest on the balance is credited to the account. The account is charged with amounts expended for the purpose for which such moneys or property were given, bequeathed or otherwise made available to the Corporation. These transactions are not included in the statement of operations.

	1996	1995
	(in thousands of dollars)	
Receipts		
Gifts and bequests	3	4
Interest	41	34
Total receipts (no disbursements)	44	38
Balance at the beginning of the year	668	630
Balance at the end of the year, represented by cash and securities	712	668

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

5. Property and equipment

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
Building renovations	5,589	1,189	4,400	4,261
Equipment	3,987	3,128	859	1,204
Office furniture	4,534	3,407	1,127	820
	14,110	7,724	6,386	6,285

6. Related party transactions

The Corporation is related to all Government of Canada departments, agencies and Crown corporations.

The Corporation incurred expenses for the work and services provided by other government departments and agencies. These transactions were conducted in the normal course of operations, under the same terms and conditions that applied to outside parties.

As a result of its program review, Agriculture and Agri-Food Canada has decided that it will no longer manage public display facilities at the Central Experimental Farm. The department has transferred the ownership of its herds to the Museum, which has undertaken the responsibility of programming at the Central Experimental Farm. The herd has been included with the collection on the balance sheet as are other artifacts acquired for display purposes.

7. Commitments

As at March 31, 1996, the Corporation had entered into various agreements mainly for the accommodation. The future minimum payments are as follows:

	1996-97	1997-98	1998-99
Leases	2,590	2,329	2,134

8. Restructuring

In an effort to reduce expenses, the Corporation developed a plan aimed at reducing salary costs through early retirement and lay offs. The cost of these initiatives is $496,000, and has been charged to operations in the year ended March 31, 1995.

9. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in 1995-96.

OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars) SCHEDULE 1

	1996	1995
Personnel costs	10,262	11,501
Professional and special services	2,550	2,516
Rental of buildings	2,415	2,689
Gift stores, cafeterias and product marketing	1,029	661
Amortization	995	1,063
Utilities	620	623
Repair and upkeep of buildings	611	549
Materials and supplies	555	575
Advertising	497	496
Protection services	478	503
Publications	357	552
Property management services	315	350
Repair and upkeep of equipment	268	500
Office supplies	276	170
Freight, express and cartage	274	154
Communications	189	190
Travel	174	245
Rentals of equipment	136	211
Design and display	115	397
Books	92	96
Collection acquisitions	73	91
Miscellaneous	15	11
Restructuring costs		496
	22,296	24,639

COMMERCIAL OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars) SCHEDULE 2

	1996	1995
Revenue		
Gift shops	884	786
Food services	276	282
Product marketing	279	96
Rentals	16	30
	1,455	1,194
Cost of sales		
Gift shops	481	487
Food services	108	106
Product marketing	533	77
Rentals	7	6
	1,129	676
Operating costs		
Gift shops	290	253
Food services	164	188
Product marketing	161	269
	615	710
Net loss	(289)	(192)

OLD PORT OF MONTREAL CORPORATION INC.

MANAGEMENT REPORT ON ITS RESPONSIBILITY TOWARD THE FINANCIAL STATEMENTS

The Corporation's Management is responsible for preparing and presenting the annual report and financial statements. These have been prepared in accordance with generally accepted accounting principles and necessarily contain estimates made by Management to the best of its judgement and for which Management takes responsibility. Management has chosen accounting principles and methods which it feels are compatible with the Corporation's activities. Financial information presented elsewhere in the annual report is compatible with that included in the financial statements, where applicable.

Management applies internal controls, accounting principles and practices so as to provide reasonable assurance that financial information is sound and reliable, that the assets it manages are safeguarded and controlled and that the transactions of the Corporation have been in compliance with the appropriate authorizations. The Corporation has appointed Fauteux Bruno Bussière Leewarden, Chartered Accountants, for the conduct of periodical internal audits on the above-mentioned controls. This firm has made its observations and recommendations to Management and after, to the Audit Committee of the Board of Directors to which it has unlimited access.

The Board of Directors is responsible for the study and approval of the financial statements, as well as for overseeing how Management discharges itself of its responsibility towards the presentation of financial information. The Board exercises this control primarily through the Audit Committee, which is composed exclusively of Administrators that are not part of Management nor employed by the Corporation. This committee examines the financial statements with Management and representatives of the Auditor General of Canada, who is appointed as external auditor by the shareholder, before submitting them to the Board for approval. This committee also examines the work plan submitted by the internal auditor and those submitted by the external auditor and meets with them in order to discuss their findings and observations regarding the accounting issues, the audit procedures and the presentation of financial information. The Auditor General of Canada is responsible for auditing the transactions, the accounts and the financial statements of the Corporation and to express an opinion on these financial statements.

Management considers that the financial statements present fairly the financial position of the Corporation and the results of its operations and the changes in the financial position. The Board of Directors has studied and approved the financial statements following a recommendation from the Audit Committee.

Pierre Émond
President and Chief Executive Officer

Dany Bleau, CA
Vice-President,
Finance and Human Resources

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of the Old Port of Montreal Corporation Inc. as at March 31, 1996 and the statements of revenue and expenditures, Minister's account and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and the by-laws of the Corporation and the Agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1996

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

BALANCE SHEET AS AT MARCH 31, 1996

ASSETS	1996	1995
	$	$
Current		
Cash	1,323,564	893,305
Accounts receivable	614,172	581,466
Prepaid expenses	184,422	574,326
	2,122,158	2,049,097

LIABILITIES	1996	1995
	$	$
Current		
Accounts payable	1,689,890	2,027,071
Deferred revenue	41,603	95,122
Due to Receiver General for Canada (Note 3)	37,574	433,909
	1,769,067	2,556,102
Provision for employee termination benefits	342,014	333,150
	2,111,081	2,889,252
Contingencies (Note 7)		
EQUITY (DEFICIT) OF CANADA		
Minister's Account	11,077	(840,155)
Capital stock (Note 4)		
	2,122,158	2,049,097

Approved by the Board:

RAYMOND CYR
Director

BERNARD LAMARRE
Director

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Revenue		
Animation programs	5,834,730	4,408,172
Less: royalties to third parties	485,730	293,720
	5,349,000	4,114,452
Daily and monthly parking	2,346,087	2,368,202
Concessions and exclusive rights	1,995,106	1,779,016
Interest	81,995	95,728
Grant	123,055	
Other	549,990	507,644
	10,445,233	8,865,042
Operating expenditures		
Maintenance of property and space rentals	4,113,387	4,197,849
Animation programs	4,685,900	3,647,193
Administration	1,595,342	1,343,972
Communications	1,851,245	1,950,033
	12,245,874	11,139,047
Excess of operating expenditures over revenue	1,800,641	2,274,005
Capital expenditures (Note 5)	493,275	1,342,640
Excess of expenditures over revenue	2,293,916	3,616,645
Revenue allotted to the Consolidated Revenue Fund of Canada	354,852	433,909
Amount to be funded for the year	2,648,768	4,050,554

CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Operating activities		
Excess of operating expenditures over revenue	(1,800,641)	(2,274,005)
Decrease (increase) in accounts receivable	(32,706)	30,855
Decrease (increase) in prepaid expenses	389,904	(160,772)
Decrease in accounts payable	(337,181)	(1,076,974)
Decrease in deferred revenue	(53,519)	(286,079)
Increase in the provision for employee termination benefits	8,864	38,942
	(1,825,279)	(3,728,033)
Investing activities		
Capital expenditures	(493,275)	(1,342,640)
Financing activities		
Parliamentary appropriations received	3,500,000	3,000,000
Remittances to the Consolidated Revenue Fund	(751,187)	(47,319)
	2,748,813	2,952,681
Cash		
Increase (decrease) for the year	430,259	(2,117,992)
Balance at beginning of the year	893,305	3,011,297
Balance at end of the year	1,323,564	893,305

MINISTER'S ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Balance in excess (deficit) at beginning of year	(840,155)	210,399
Amount to be funded for the year	(2,648,768)	(4,050,554)
	(3,488,923)	(3,840,155)
Parliamentary appropriations received	3,500,000	3,000,000
Balance in excess (deficit) at the end of the year	11,077	(840,155)

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1996

1. Authority and activities

The Old Port of Montreal Corporation Inc. was incorporated on November 26, 1981 under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

Effective February 1, 1982, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services, the Corporation is responsible for developing and for promoting the development of the lands of the Old Port of Montreal, and for administering, managing, and maintaining the property of Her Majesty located therein. The Corporation fulfils this responsibility in the name and for the account of the Minister of Public Works and Government Services who continues to hold title to the capital assets for the benefit of Her Majesty.

2. Significant accounting policies

(a) Financial statement presentation

The financial statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works and Government Services.

(b) Amount to be funded

All expenditures incurred by the Corporation, net of revenue used for its operations, are reimbursable by the Minister of Public Works and Government Services using a parliamentary appropriation.

The difference between parliamentary appropriations received and the amount to be funded is recorded in the Minister's Account.

(c) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under the salary administration policy of the Corporation. The cost of these benefits is recorded in the year in which they are earned by the employees.

(d) Revenue

Pursuant to the agreement between the Corporation and the Minister of Public Works and Government Services, proceeds from the direct use of capital assets having titles held by the Minister are allotted to the Consolidated Revenue Fund of Canada and are to be remitted to the Receiver General for Canada. Other proceeds are used by the Corporation for its operations.

(e) Expenditures of a capital nature

Expenditures of a capital nature represent costs that significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures. Capital assets are not disclosed in the balance sheet since the Minister of Public Works and Government Services holds title to the capital assets for the benefit of Her Majesty.

(f) Retirement savings plan

The Corporation has established a group retirement savings plan under which a single trust was established with a private sector organization in order to accumulate contributions to provide a retirement income for the employees through individually registered retirement savings plans. All contributions are paid by the employees, the Corporation acting solely as an agent without incurring any liability.

3. Due to Receiver General for Canada

	1996	1995
	$	$
Balance at beginning of the year	433,909	47,319
Proceeds alloted to the Consolidated Revenue Fund of Canada		
Derived from operations		
Monthly parking	262,022	322,762
Rentals	62,123	73,605
Other	30,707	37,542
	354,852	433,909
	788,761	481,228
Remittances	(751,187)	(47,319)
Balance at end of the year	37,574	433,909

4. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

5. Capital expenditures

The Corporation has incurred $1.1 million for capital expenditures during the year, from which a sum of approximately $0.6 million has been deducted to take into account a revision in accounting estimates and recoveries from third parties of costs previously charged to capital.

6. Commitments

As at March 31, 1996, the commitments totalled $1,856,688 ($1,458,082 as at March 31, 1995).

7. Contingencies

As operator of the Expotec/Imax program, the Corporation has committed itself to take charge of the contingent liability that may result from a litigation between a municipal corporation and a services supplier. As at March 31, 1996, the Corporation estimated this contingent liability to be approximately $2.0 million. On November 11, 1993, the Quebec Court rendered a judgement in favour of the services supplier. However, the municipal corporation appealed this cause on December 6, 1993. The Corporation considers that this lawsuit is ill-founded, and consequently no provision has been recorded.

Various claims have been brought against the Corporation in the normal course of business.

OLD PORT OF MONTREAL CORPORATION INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1996—*Concluded*

It is the opinion of management that the settlement of these contingencies will not result in any material liabilities to the Corporation. Any payment resulting from an unfavourable decision against the Corporation would be charged to the year during which the Corporation would actually be compelled to pay.

8. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

9. Cumulative data since November 26, 1981

	Accumulated as at March 31, 1995	1995-96	Accumulated as at March 31, 1996
	$	$	$
Capital expenditures	130,737,559	493,275	131,230,834
Excess of operating expenditures over revenue............	31,410,596	1,800,641	33,211,237
Proceeds allotted to the Consolidated Revenue Fund of Canada	4,585,090	354,852	4,939,942
Amount funded by the Minister of Public Works and Government Services	166,733,245	2,648,768	169,382,013

10. Breakdown of accumulated capital expenditures

	Accumulated as at March 31, 1995	1995-96	Accumulated as at March 31, 1996
	(in thousands of dollars)		
Improvement to land and to areas of water...........	84,699	(372)	84,327
Buildings	21,735	637	22,372
Bridges..................	4,521		4,521
Major wharf repairs........	7,955		7,955
Furniture, urban furniture and equipment..........	6,697	191	6,888
Substructure and public services................	4,652	37	4,689
Archaeological relics.......	479		479
	130,738	493	131,231

11. Change in presentation

Certain figures in the year 1994-95 have been reclassified to conform with the presentation adopted in 1995-96.

PACIFIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Pacific Pilotage Authority as at December 31, 1995 and the statements of operations, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

L. Denis Desautels FCA
Auditor General of Canada

Ottawa, Canada
January 26, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES	1995	1994
Current			Current		
Cash and short-term investments	2,027	2,056	Accounts payable and accrued liabilities	2,770	2,549
Accounts receivable	2,606	3,380	Long-term		
Prepaid expenses	178	181	Accrued employee termination benefits	642	578
	4,811	5,617		3,412	3,127
Capital assets (Note 3)	769	820			
			EQUITY OF CANADA		
			Contributed capital	806	806
			Retained earnings	1,362	2,504
				2,168	3,310
	5,580	6,437		5,580	6,437

Approved by the Authority:

D. B. McLELLAN
Chairman

K. B. HALLAT
Member

PACIFIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Revenues		
Pilotage charges	34,029	33,516
Interest and other income	192	158
	34,221	33,674
Expenses		
Contract pilots' fees	24,263	24,601
Operating costs of pilot boats	3,872	3,634
Transportation and travel	3,594	3,427
Staff salaries and benefits	1,661	1,709
Pilots' salaries and benefits	949	810
Professional and special services	287	282
Rentals	209	205
Computer services	134	197
Amortization	158	161
Utilities, materials and supplies	122	160
Communications	93	78
Repairs and maintenance	21	13
	35,363	35,277
Net loss for the year	(1,142)	(1,603)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Net loss for the year	(1,142)	(1,603)
Items not affecting cash		
Amortization	158	161
Employee termination benefits	64	5
Loss on disposal of capital assets		12
Change in non-cash operating components of working capital	998	335
Cash generated by (used for) operating activities	78	(1,090)
Investing activities		
Additions to capital assets	(107)	(85)
Decrease in cash	(29)	(1,175)
Cash and short-term investments at beginning of the year	2,056	3,231
Cash and short-term investments at end of the year	2,027	2,056

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Appropriated		
Balance at beginning and end of the year	500	500
Unappropriated		
Balance at beginning of the year	2,004	3,607
Net loss for the year	(1,142)	(1,603)
Balance at end of the year	862	2,004
	1,362	2,504

PACIFIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Authority and objectives

The Pacific Pilotage Authority was established in 1972 pursuant to the *Pilotage Act.* The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local licensed pilots' company.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to any income taxes.

2. Significant accounting policies

Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Pilot boats	25 years
Equipment—Communication and other	10 years
—Computer	5 years
Leasehold improvements	15 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Contributed capital

Amounts representing the values assigned to capital assets transferred from Canada in 1972 and the cost of any property and equipment financed from parliamentary appropriations are shown as contributed capital.

Appropriated retained earnings

Amounts are appropriated from time to time by the Authority to provide for extraordinary costs arising from renewal or acquisition of capital assets and for contingencies.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

3. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Buildings	110	57	53	13
Pilot boats	1,306	1,040	266	303
Equipment —Communication and other	660	304	356	367
—Computers	568	504	64	101
Leasehold improvements	78	48	30	36
	2,722	1,953	769	820

4. Commitments

The Authority has a long-term operating lease obligation for office accommodation aggregating $347,040 to December 31, 1999 at a base annual rent of $86,760. The obligation also calls for pro rata share of annual operating costs estimated at $33,120 for 1996.

The Authority has an operating lease agreement for the services at Cape Beale of a manned pilot boat until December 31, 1996. For 1995, rent was $343,128. In addition, the Authority paid $140 per assignment for a manned pilot boat at English Bay.

PETRO-CANADA LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of Petro-Canada Limited as at December 31, 1995 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Petro-Canada Limited Act* and by-laws of the corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 1, 1996

BALANCE SHEET
AS AT DECEMBER 31, 1995
(stated in millions of dollars)

ASSETS	1995	1994	LIABILITIES AND SHAREHOLDER'S EQUITY	1995	1994
Current assets			Current liabilities		
Cash and short-term deposits	3	3	Current portion of long-term debt	66	
Accrued interest receivable	9	9	Accrued interest payable	12	12
Current portion of investments	79	15			
	91	27		78	12
Investments (Note 4)	433	527	Deferred revenue (Note 4)	31	36
			Long-term debt (Note 5)	413	505
			Shareholder's equity (Note 6)	2	1
	524	554		524	554

Approved on behalf the Board:

ROBERT HAMILTON
Director

JOY F. KANE
Director

PETRO-CANADA LIMITED—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1995
(stated in millions of dollars)

	1995	1994
Revenue		
Interest revenue	43	44
Credit and guarantee fees		1
	43	45
Expenses		
Interest on long-term debt	42	44
Net income	1	1
Deficit at beginning of year	(28)	(29)
Deficit at end of year	(27)	(28)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995
(stated in millions of dollars)

	1995	1994
Operating activities		
Net income	1	1
Non-cash items included in income	(16)	(14)
	(15)	(13)
Investing activites		
Decrease in investments, net	27	17
Financing activities		
Repayment of long-term debt	(12)	(3)
Increase in cash and short-term deposits		1
Cash and short-term deposits at beginning of year	3	2
Cash and short-term deposits at end of year	3	3

PETRO-CANADA LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995
(tables are stated in millions of dollars)

1. The Corporation

Petro-Canada Limited ("the Corporation") is an agent Crown corporation named in Part II of Schedule III of the *Financial Administration Act*. The objective of the Corporation is to meet its obligations on its outstanding bonds and its current and future operating costs from the revenues generated by its investment portfolio and cash reserves.

Pursuant to an Order-in-Council and subsequent amendments to income tax legislation, effective July 3, 1991, the Corporation became an exempt corporation for purposes of the *Income Tax Act* and is not liable for income taxes after that date.

2. Summary of significant accounting policies

(a) Translation of foreign currency

Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Related interest revenue and expense are translated at rates of exchange in effect at the respective transaction dates. Investments hedge foreign currency fluctuations on long-term debt. Unrealised exchange gains or losses arising on translation of investments are offset against those relating to the long-term debt with the difference recorded as a deferred charge in the investment component of the balance sheet.

(b) Investments

Investments are carried at cost less amortization of premiums on acquisition. Premiums on acquisition are amortized on a straight-line basis over the life of the investments.

(c) Deferred revenue

Deferred revenue is amortized on a straight-line basis over the life of the related investments.

3. Related party transactions

The Corporation holds investments with a face value of US $178 million (Canadian $243 million) (1994—US $178 million (Canadian $250 million)) in an agent Crown corporation of the Government of Canada. These investments earn interest of US $15 million (Canadian $21 million) per annum which has been reflected in the statement of operations as interest revenue.

4. Debt restructuring

In May 1991, the Corporation entered into a debt restructuring agreement ("the Agreement") with Petro-Canada and the Government of Canada whereby Petro-Canada was to prepay to the Corporation the outstanding debentures receivable due to the Corporation based on the market value of the debentures on the date of prepayment. At December 31, 1992, Petro-Canada had prepaid all debentures receivable due to the Corporation thereby completing the repayment required under the terms of the Agreement. Proceeds from the prepayments were used to retire long-term debt of the Corporation. Where outstanding debentures in long-term debt could not be retired, investments were purchased by the Corporation to meet the future obligations on such debt.

Under the Agreement Petro-Canada paid to the Corporation a prepayment premium of US $13 million (Canadian $15 million) in consideration of the costs associated with the prepayment of debentures receivable.

The investments are high quality government debt securities that are intended to be held until maturity and as a result no provision is made for any decline in market value. Proceeds from interest and principal maturity of the investments approximate the Corporation's interest and principal obligations of the debentures in long-term debt both in respect of the timing of payments and the currency of payments. The Corporation has deferred the portion of the gain on retirement of debentures receivable and the portion of the prepayment premium associated with the long-term debt not redeemed.

5. Long-term debt

	Maturity	1995	1994
In United States dollars			
7.25% unsecured debentures (US $48 million)	1996	66	67
9.50% unsecured debentures (US $88 million)	2003	119	135
8.60% unsecured debentures (US $158 million)	2010	215	221
8.25% unsecured debentures (US $38 million)	2016	52	54
9.70% unsecured debentures (US $16 million)	2018	22	23
8.80% unsecured debentures (US $4 million)	2019[1]	5	5
		479	505
Less: current portion of long-term debt		66	
		413	505

[1] Redeemable, at face value, in 2004 at the option of the holder thereof.

The minimum repayment of long-term debt in the next five years is $66 million in 1996.

PETRO-CANADA LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

6. Shareholder's equity

	1995	1994
Capital	2,727	2,727
Deficit	(27)	(28)
	2,700	2,699
Shareholder's equity attributed to investment in Petro-Canada transferred to the Government of Canada in 1991	(2,698)	(2,698)
	2	1

Authorized Capital

(a) 71,188 common shares with a par value of one hundred thousand dollars each, and

(b) Preferred shares issued to the Government of Canada provided that the amount of such shares together with any loans received, and outstanding, from the Consolidated Revenue Fund of the Government of Canada is not in excess of one billion dollars. These shares have a par value of one dollar each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

Issued to the Government of Canada

	Number of Shares	1995	1994
Common shares	17,540	1,754	1,754
Preferred shares	972,771,853	973	973
Total capital		2,727	2,727

PORT OF QUÉBEC CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1995 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Mallette Maheu
Chartered Accountants

Québec, Canada
January 31, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994	LIABILITIES	1995	1994
	$	$		$	$
Current assets			Current liabilities		
Cash	395,523	348,488	Accounts payable and accrued liabilities	1,054,038	1,179,829
Short-term investments (Note 3)	1,495,144	1,807,174	Grants in lieu of municipal taxes	174,003	81,917
Accounts receivable	2,219,736	1,813,231	Deferred revenues	887,627	916,646
Materials and supplies	155,994	157,632	Current portion of long-term debt	174,838	161,577
	4,266,397	4,126,525		2,290,506	2,339,969
Investments (Note 3)	4,678,047	2,485,531	Long-term debt		
Fixed assets (Note 4)	52,612,423	55,236,881	Accrued employee benefits	815,000	918,000
			Loans from Interport Loan Fund (Note 5)	6,142,699	6,317,537
				6,957,699	7,235,537
				9,248,205	9,575,506
			EQUITY OF CANADA		
			Contributed capital	51,852,198	51,852,198
			Surplus	456,464	421,233
				52,308,662	52,273,431
	61,556,867	61,848,937		61,556,867	61,848,937

Contingencies (Note 7).

On behalf of the Board:

RENÉ PAQUET
Chairman

ROSS GAUDREAULT
President and Chief Executive Officer

PORT OF QUÉBEC CORPORATION—*Continued*

EARNINGS AND SURPLUS
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenue from operations	12,282,871	11,449,579
Expenses		
Operating and administrative	7,884,154	8,556,699
Grants in lieu of municipal taxes	1,269,404	1,339,211
	9,153,558	9,895,910
Earnings before depreciation and financial expenses	3,129,313	1,553,669
Depreciation of fixed assets	2,966,118	3,213,949
Earnings (loss) before financial expenses	163,195	(1,660,280)
Financial expenses		
Interest expense	531,775	544,028
Investment income	(403,811)	(216,875)
	127,964	327,153
Earnings (loss) for the year	35,231	(1,987,433)
Surplus at beginning of year	421,233	2,408,666
Surplus at end of year	456,464	421,233

CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Operating activities		
Earnings (loss) for the year	35,231	(1,987,433)
Operating items not involving cash		
Depreciation of fixed assets	2,966,118	3,213,949
Accrued employee benefits	(103,000)	(124,000)
Other	(36,271)	(6,474)
	2,862,078	1,096,042
Net change in non-cash components of working capital	(356,239)	262,721
Net funds from operations	2,505,839	1,358,763
Financing activities		
Reinbursement of loans from Interport Loan Fund	(161,577)	(149,324)
Net funds used for financing	(161,577)	(149,324)
Investing activities		
Long-term investments	(2,178,250)	(2,480,324)
Additions to fixed assets	(453,012)	(500,177)
Proceeds from disposal of fixed assets	22,005	2,707
Net funds used for investment	(2,609,257)	(2,977,794)
Decrease in cash position	(264,995)	(1,768,355)
Cash position at beginning of year	2,155,662	3,924,017
Cash position at end of year	1,890,667	2,155,662

Cash position consists of cash and short-term investments.

PORT OF QUÉBEC CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Statutes of incorporation

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

2. Significant accounting

Investments

Investments, which are guaranteed Securities of Canada, are shown at amortized cost whereby premiums and discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5-6.7%
Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-20%
Office furniture and equipment	20%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. Investments

Short-term investments of $1,495,144 consist of guaranteed Securities of Canada and as at December 31, 1995, their market value is $1,505,690.

Long-term investments of $4,678,047 consist of Canada bonds and as at December 31, 1995, their market value is $4,894,495.

4. Fixed assets

	1995			1994
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	11,155,836		11,155,836	11,155,836
Dredging	4,561,342	4,147,734	413,608	441,669
Berthing structures	24,123,102	19,790,214	4,332,888	4,779,751
Buildings	42,306,153	21,994,235	20,311,918	21,472,085
Utilities	19,955,172	7,006,021	12,949,151	13,825,237
Roads and surfaces	6,418,566	5,214,536	1,204,030	1,283,571
Machinery and equipment	1,049,827	747,064	302,763	370,311
Office furniture and equipment	1,675,599	1,614,813	60,786	53,968
Projects in progress	1,881,443		1,881,443	1,854,453
	113,127,040	60,514,617	52,612,423	55,236,881

PORT OF QUÉBEC CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

5. Loans from Interport Loan Fund

	1995	1994
	$	$
Loans bearing interest 8.5% and 8.73%, payable in annual installments of $372,512 including interest, maturing in 2012	3,266,328	3,350,723
Loans bearing interest 8.07% and 7.54%, payable in annual installments of $320,839 including interest, maturing in 2013	3,051,209	3,128,391
	6,317,537	6,479,114
Current portion of long-term debt	174,838	161,577
	6,142,699	6,317,537

The aggregate maturities of long-term debt for the five following years are:

	$
1996	174,838
1997	189,192
1998	204,727
1999	221,542
2000	239,742

6. Related party transactions

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of $702,000 (1994—$752,000) from related entities. The expenses paid to related parties mainly consist in reimbursements of $529,000 (1994—$814,000) to Canada Ports Corporation as its share of the Corporation's head office expenses.

The Corporation has accounts payable of $229,000 (1994—$491,000) and accounts receivable of $118,000 (1994—$120,000) with the same related parties.

7. Contingencies

Claims for an estimated amount of approximately $5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

8. Transportation system review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act.*

At this time, the impact upon the Corporation is not known, but it is not expected to have a significant impact on operations.

PRINCE RUPERT PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1995 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

New Westminster, Canada
January 26, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994
	$	$
Current assets		
Cash	37,538	371,096
Investments (Note 2)	13,894,726	11,768,675
Accounts receivable	1,486,888	1,695,931
Materials and supplies	135,661	168,210
	15,554,813	14,003,912
Capital assets (Note 3)	96,174,864	97,642,791
	111,729,677	111,646,703

LIABILITIES AND EQUITY OF CANADA	1995	1994
	$	$
Current liabilities		
Accounts payable and accrued liabilities	303,368	431,407
Grants-in-lieu of municipal taxes	791,682	841,580
Deferred revenues	289,932	213,498
Principal due within one year on loans from Canada	489,724	444,255
	1,874,706	1,930,740
Loans from Canada (Note 4)	14,844,753	15,334,477
EQUITY OF CANADA		
Contributed capital	79,611,805	79,611,805
Surplus	15,398,413	14,769,681
	95,010,218	94,381,486
	111,729,677	111,646,703

Commitments (Note 5).
See accompanying notes to financial statements.

Approved by the Board:

PETER LESTER
Chairman

DONALD H. KRUSEL
President and Chief Executive Officer

PRINCE RUPERT PORT CORPORATION—*Continued*

STATEMENT OF EARNINGS AND SURPLUS
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenue from operations	12,643,829	12,521,810
Expenses		
Contractual services	5,031,951	4,308,559
Operating and administrative	3,141,048	3,268,048
Amortization	2,385,465	2,443,586
Grants-in-lieu of municipal taxes	844,120	638,184
	11,402,584	10,658,377
Earnings from operations	1,241,245	1,863,433
Other earnings (expense)		
Interest	1,033,356	668,508
Interest expense	(1,617,983)	(1,659,293)
	(584,627)	(990,785)
Net earnings	656,618	872,648
Surplus, beginning of year	14,769,681	13,897,033
	15,426,299	14,769,681
Dividend to Canada	27,886	
Surplus, end of year	15,398,413	14,769,681

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Cash provided by (used in):		
Operations		
Net earnings	656,618	872,648
Items not involving cash		
Amortization	2,385,465	2,443,586
Changes in non-cash operating working capital	140,089	(1,159,005)
	3,182,172	2,157,229
Financing		
Decrease in loans from Canada	(444,255)	(403,010)
Dividend to Canada	(27,886)	
	(472,141)	(403,010)
Investment		
Purchase of capital assets	(917,538)	(1,479,280)
Proceeds on disposal of capital assets		35,000
Reimbursement of capital asset costs		900,000
	(917,538)	(544,280)
Increase in cash position	1,792,493	1,209,939
Cash position, beginning of year	12,139,771	10,929,832
Cash position, end of year	13,932,264	12,139,771
Cash position is defined as:		
Cash	37,538	371,096
Investments	13,894,726	11,768,675
Cash position	13,932,264	12,139,771

See accompanying notes to financial statements.

PRINCE RUPERT PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995
(with comparative figures for 1994)

Local port corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. Significant accounting policies

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Capital assets

Capital assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Amortization is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5%
Berthing structures	2.5-10%
Buildings	5-10%
Roads and surfaces	3.3-10%
Utilities	5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20-33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. Investments

	1995	1994
	$	$
Amortized cost	13,894,726	11,768,675
Market value	13,895,453	11,768,565

3. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	63,748,741		63,748,741	63,199,197
Dredging	332,187	89,624	242,563	259,366
Berthing structures	36,361,994	10,525,038	25,836,956	26,860,115
Buildings	5,631,495	2,161,909	3,469,586	4,403,375
Roads and surfaces	7,183,357	4,913,761	2,269,596	2,051,373
Utilities	2,610,896	2,353,920	256,976	396,042
Machinery and equipment	2,380,785	2,207,031	173,754	343,213
Office furniture and equipment	404,759	308,807	95,952	94,597
Construction in progress	80,740		80,740	35,513
	118,734,954	22,560,090	96,174,864	97,642,791

PRINCE RUPERT PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1995—*Concluded*

4. Loans from Canada

	1995	1994
	$	$
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	15,334,477	15,778,732
Less principal included in current liabilities	489,724	444,255
	14,844,753	15,334,477

Principal payment requirements over the next five years are approximately as follows:

	$
1996	490,000
1997	540,000
1998	595,000
1999	656,000
2000	723,000
	3,004,000

5. Commitments

The Corporation rents its premises under an operating lease which expires April 30, 1997. The future rent payable to the expiry date is approximately as follows:

	$
1996	74,000
1997	25,000
	99,000

6. Related party transactions

(a) During the year, the Corporation recorded lease revenue of $1,802,973 (1994—$2,049,976) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1995, accounts receivable included $380,939 (1994—$360,155) from Ridley Terminals Inc.

(b) During the year, the Corporation paid $603,566 (1994—$694,566) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1995, accounts payable included $0 (1994—$91,836) to Canada Ports Corporation.

QUEENS QUAY WEST LAND CORPORATION

AUDITORS' REPORT

TO THE MINISTER OF PUBLIC WORKS
AND GOVERNMENT SERVICES

We have audited the balance sheet of Queens Quay West Land Corporation as at March 31, 1996 and the statements of operations, contributed capital and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of the Corporation and the Management Agreement with Canada.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
May 13, 1996

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada

BALANCE SHEET

ASSETS	1996	1995
	$	$
Current assets		
Cash and short-term investments	3,519,742	5,791,528
Receivables and other assets	173,379	300,964
	3,693,121	6,092,492
Non-current assets		
Deferred development costs (Note 2)	2,120,024	2,391,660
Capital assets (Note 5)	9,120	13,506
	2,129,144	2,405,166
	5,822,265	8,497,658

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIENCY)	1996	1995
	$	$
Current liabilities		
Accounts payable and accrued liabilities	2,554,789	2,582,582
Loans from Canada (Note 6)	45,800,000	45,800,000
Shareholder's equity (deficiency)		
Share capital (Note 7)	1	1
Contributed capital	1,000,000	1,000,000
Deficit	(43,532,525)	(40,884,925)
	(42,532,524)	(39,884,924)
Contingencies (Note 3)		
	5,822,265	8,497,658

See accompanying notes to financial statements.

On behalf of the Board:

ANNE S. MORASH
Director

DAVID F. ELLIS
Director

QUEENS QUAY WEST LAND CORPORATION—*Continued*

STATEMENT OF OPERATIONS

	1996	1995
	$	$
Corporate and commercial operations		
Revenues		
Parking income	1,464,712	1,742,207
Commercial and other income	1,199,709	1,505,925
Other interest	367,725	363,676
	3,032,146	3,611,808
Expenses		
Commercial management	1,992,612	2,311,687
Corporate administration	284,317	343,271
	2,276,929	2,654,958
Net corporate and commercial income	755,217	956,850
Development operations (Note 2)		
Land conveyances	435,992	13,579,541
Period development costs	2,966,825	2,249,735
Net development expense	3,402,817	15,829,276
Net loss for the year	(2,647,600)	(14,872,426)

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	1996	1995
	$	$
Operating activities		
Net loss for the year	(2,647,600)	(14,872,426)
Amortization	4,386	18,829
Deferred development costs	271,636	3,653,650
Receivable from developers		10,130,960
	(2,371,578)	(1,068,987)
Receivables and other assets	127,585	777,260
Accounts payable and accrued liabilities	(27,793)	(1,094,101)
	(2,271,786)	(1,385,828)
Financing and capital activities		
Parliamentary appropriations from Canada	7,500,000	9,800,000
Contributions to Harbourfront Centre	(7,500,000)	(8,800,000)
		1,000,000
Increase (decrease) in cash	(2,271,786)	(385,828)
Cash and short-term deposits, beginning of year	5,791,528	6,177,356
Cash and short-term deposits, end of year	3,519,742	5,791,528

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED CAPITAL AND DEFICIT

	1996	1995
	$	$
Contributed capital		
Balance, beginning of year	1,000,000	
Parliamentary appropriations from Canada		
Operating subsidy for Harbourfront Centre	7,500,000	8,800,000
Capital contribution		1,000,000
Operating contributions to Harbourfront Centre	(7,500,000)	(8,800,000)
Balance, end of year	1,000,000	1,000,000
Deficit:		
Balance, beginning of year	(40,884,925)	(26,012,499)
Net loss for the year	(2,647,600)	(14,872,426)
Balance, end of year	(43,532,525)	(40,884,925)

See accompanying notes to financial statements.

QUEENS QUAY WEST LAND CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. The Corporation

Queens Quay West Land Corporation (the "Corporation") continued under the *Canada Business Corporations Act* December 21, 1984, is a Crown corporation listed under Part I of Schedule III of the *Financial Administration Act*. The share capital of the Corporation is held by Her Majesty the Queen in Right of Canada ("Canada") as represented by the Minister Designate of Public Works and Government Services. Legislation dealing with the sale of the Corporation's assets and the subsequent dissolution of the Corporation received royal assent in November, 1991. The Corporation is exempt from corporate income tax.

The Corporation operates under a Management Agreement with Canada. Title to the Harbourfront site (the "Site") which totals approximately 100 acres is held by Canada with the exception of parkland and public infrastructure conveyed to municipal governments, lands conveyed to developers and certain lands transferred to the Corporation by Canada.

The Corporation's mandate is to ensure the disposition of the Corporation's remaining assets, including its real estate assets, in an orderly fashion and to fulfill all its obligations with a view to dissolving the Corporation subsequent to March 31, 1996. The Corporation has been pursuing an orderly transition to transfer all remaining assets, liabilities, obligations and operations to Canada Lands Company Limited.

Agreements with Canada permit the sale or conveyance by the Corporation of certain remaining real estate assets with the proceeds to be used to assist the Corporation in discharging its obligations. The Corporation has received significant financial support from Canada and continues to be dependent on Canada to ensure that the Corporation's obligations and commitments are met as they come due.

In addition to the related party transactions disclosed elsewhere in these financial statements, the Corporation enters into transactions with Canada and other Crown corporations in the normal course of business.

2. Development operations

In fulfilling its mandate, the Corporation has executed agreements with developers, entailing renegotiation of certain existing contracts, and with various levels of government and other parties to provide for:

- the relocation of three contemplated development projects from the south side of Queens Quay West in exchange for (i) rights to certain commercial and residential developments on the north side of Queens Quay West and (ii) the forgiveness of certain obligations. Land conveyances amount consists primarily of forgiveness of certain obligations from developers and deferred development charges;
- the conveyance of these south side properties as well as other properties to the City of Toronto ("City") as parkland and public space; and
- the allocation of zoning rights to residual Harbourfront properties for ultimate sale by the Corporation to third parties.

3. Contingencies

As a result of agreements entered into by the Corporation providing for land conveyances and exchanges, the Corporation is contractually obligated for certain contingent liabilities concerning capital projects, payments to the City for parks development, road costs, environmental costs and other indemnities. The Corporation has estimated that these contingent liabilities are expected to total no more than $13.5 million in respect of the agreement with the City and $4.1 million in respect of other agreements with developers. In addition, deferred development costs as described in Note 4(b) will be charged to the Statement of Operations when title is passed.

4. Accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies of the Corporation are as follows:

(a) Revenue recognition

Revenues from commercial activities are recognized as the related services are provided.

(b) Deferred and period development costs

All development proceeds and costs directly attributable to a project are deferred until approval of the related development agreement is received from Canada or the project is transferred to a third party. Costs related to parkland and public infrastructure expected to be conveyed are deferred until title is passed to the appropriate local or regional governments.

Costs related to development activities, parkland and public infrastructure not directly attributable to a project are recorded in the Statement of Operations as period development costs.

(c) Contributions to Harbourfront Centre

Operating and capital contributions to Harbourfront Centre, made at the request of Canada in its capacity as shareholder, are charged to contributed capital.

(d) Parliamentary appropriations

Parliamentary appropriations, made from time to time by Canada in its capacity as shareholder, are recorded as contributed capital.

(e) Capital assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line basis over the estimated useful life of each asset. Transfers of land to the Corporation from Canada, required to facilitate certain development agreements, are recorded at a nominal cost.

QUEENS QUAY WEST LAND CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

5. Capital assets

	1996	1995
	$	$
Land and buildings	1	1
Equipment	369,822	646,154
	369,823	646,155
Less: accumulated amortization	360,703	632,649
	9,120	13,506

6. Loans from Canada

Effective April 1, 1994, the loans from Canada became non-interest bearing and are due and payable on March 31, 2004. Prior to April 1, 1994, the Corporation borrowed from the Consolidated Revenue Fund under certain terms and conditions to fund its operations and its financial contributions to Harbourfront Centre.

Upon the disposition of any real property, the Corporation must use the net proceeds realized to repay the loans to the extent possible. Each loan is secured by a debenture of the Corporation in favour of the Receiver General of Canada. The Corporation may prepay the loan principal at any time without penalty upon fourteen days' prior notice.

7. Share capital

The authorized share capital of the Corporation consists of 500,000 (1995—500,000) common shares without par value of which 215,500 (1995—215,500) shares are issued and fully paid for consideration of $1 (1995—$1).

8. Litigation

The Corporation is a defendant in a lawsuit. In the opinion of management, this action will not have a material adverse effect on the financial position of the Corporation.

ROYAL CANADIAN MINT

MANAGEMENT REPORT

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles in Canada and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Royal Canadian Mint Act* and by-laws of the corporation.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister responsible for the Royal Canadian Mint.

Danielle V. Wetherup
President and Master of the Mint

J. E. Uberig
Vice-President, Administration and Finance

AUDITOR'S REPORT

TO THE MINISTER OF SUPPLY AND SERVICES

I have audited the balance sheet of the Royal Canadian Mint as at December 31, 1995 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Royal Canadian Mint Act* and by-laws of the corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 23, 1996

ROYAL CANADIAN MINT—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES	1995	1994
Current			Current		
Cash and short-term investments		8,631	Bank indebtedness	3,386	
Accounts receivable	13,189	7,275	Accounts payable	18,397	13,098
Prepaid expenses	1,228	418	Current portion of loans (Note 5)	3,096	2,673
Inventories (Note 3)	32,309	21,368	Deferred revenues	655	188
	46,726	37,692		25,534	15,959
Capital assets (Note 4)	43,992	44,758	Long-term		
			Loans (Note 5)	98	174
			Provision for employee termination benefits	5,769	5,701
				5,867	5,875
			SHAREHOLDER'S EQUITY		
			Share capital (authorized and issued, 4,000 non-transferable shares)	40,000	40,000
			Retained earnings	19,317	20,616
				59,317	60,616
	90,718	82,450		90,718	82,450

Approved by Management:

DANIELLE V. WETHERUP
President and Master of the Mint

J. E. UBERIG
Vice-President, Administration and Finance

Approved on behalf of the Board of Directors

DANIELLE V. WETHERUP
President and Master of the Mint

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Revenues	310,005	309,557
Cost of goods sold	280,024	283,703
Gross profit	29,981	25,854
Other expenses		
Marketing	17,672	17,102
Administration	10,999	9,643
Depreciation	2,987	2,924
	31,658	29,669
Loss from operations	(1,677)	(3,815)
Interest income	595	838
Interest expense	(93)	(375)
Loss before income tax	(1,175)	(3,352)
Income tax (Note 6)	124	123
Net loss	(1,299)	(3,475)
Retained earnings, beginning of year	20,616	29,091
Dividend		(5,000)
Retained earnings, end of year	19,317	20,616

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Net loss	(1,299)	(3,475)
Item not affecting funds		
Depreciation	2,987	2,924
	1,688	(551)
Net change in non-cash working capital	(11,899)	(3,272)
Increase (decrease) in provision for employee termination benefits	68	(353)
	(10,143)	(4,176)
Investing activities		
Additions to capital assets	(2,221)	(2,448)
Financing activities		
Repayment of loans from Canada	(2,674)	(2,674)
Other loans	3,021	
Dividend		(5,000)
	347	(7,674)
Decrease in cash	(12,017)	(14,298)
Cash and short-term investments, beginning of year	8,631	22,929
Cash and short-term investments (bank indebtedness), end of year	(3,386)	8,631

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Authority and objectives

The Mint was incorporated in 1969 by the *Royal Canadian Mint Act* and is an agent corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. The objectives of the Mint are to mint coins in anticipation of profit and to carry out other related activities.

The Mint may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and the terms and conditions, but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed $50 million.

2. Significant accounting policies

(a) Inventories

Raw materials and supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method. Work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

(b) Capital assets

Capital assets are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	2 1/2%
Buildings	2 1/2%
Equipment	10%

(c) Deferred revenues

Payments received in advance on sales are not recognized as revenue until the products are shipped.

(d) Employee termination benefits

Employees are entitled to specific termination benefits as provided under their collective agreement and terms of employment. The liability for these benefits is charged to income as benefits accrue to the employees.

(e) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current services and are charged to operations on a current basis. The corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Inventories

	1995	1994
	(in thousands of dollars)	
Raw materials	16,472	9,569
Work in process	6,724	4,765
Finished goods	6,160	3,508
Supplies	2,953	3,526
	32,309	21,368

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

In order to facilitate the production of precious metal coins, the Mint borrows the quantity of gold, platinum and silver required and pays interest based on the value of these metals established on the commodity markets. As at December 31, 1995, 238,509 ounces of gold, 1,099,818 ounces of silver and 12,080 ounces of platinum were borrowed and are not reflected in these statements.

4. Capital assets

			1995	1994
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	3,226		3,226	3,226
Land improvements	914	641	273	287
Buildings	44,424	14,623	29,801	30,458
Equipment	39,410	28,718	10,692	10,787
	87,974	43,982	43,992	44,758

5. Loans

The current portion of loans includes a bank loan of $3,020,500 for working capital purposes. Long-term loans are from Canada and bear interest at annual rates of 8.75% and 9.50% and are repayable in annual instalments of $76,115 in 1996 and 1997 and $22,265 in 1998.

6. Income tax

The corporation's 1995 income tax relates solely to the large corporations tax. The corporation's expected income tax rate is the net federal statutory rate (including surtax) of 38.9% less the manufacturing and processing deduction of 7.0%. Exclusive of the large corporations tax, the 1995 and 1994 effective tax rate is zero due to the loss realized in each year. The corporation has income tax losses of approximately $5.9 million (1994—$4.1 million), the benefits of which have not been recognized, and which are available to reduce taxes payable for years up to 2002. In addition, the corporation has differences between tax and accounting values of the assets, largely existing at the date it became subject to income tax, for which future deductions are available in the amount of approximately $26.1 million (1994—$26.7 million). The corporation is not subject to provincial income taxes.

7. Related party transactions

Transactions with the Department of Finance related to the borrowing, refining and purchasing of gold were conducted in the normal course of business, under the same terms and conditions that apply to unrelated parties. Transactions with the Department of Finance related to the production and delivery of Canadian circulation coins are generally carried out on a cost plus basis.

SAINT JOHN PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1995 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Ernst & Young
Chartered Accountants

Saint John, Canada
January 30, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash	48	105
Investments (Note 3)	2,846	2,049
Accounts receivable	1,123	768
	4,017	2,922
Long-term		
Long-term investments (Note 3)	980	976
Fixed assets (Note 4)	59,131	60,185
	60,111	61,161
Total assets	64,128	64,083

LIABILITIES AND EQUITY OF CANADA	1995	1994
Current		
Accounts payable and accrued charges	1,070	701
Deferred revenues	143	264
Grants in lieu of municipal taxes	591	1,053
	1,804	2,018
Long-term		
Loans from Canada (Note 5)	18,052	18,052
Financing provided by a province (Note 6)	19,696	19,696
Accrued employee benefits	533	458
	38,281	38,206
	40,085	40,224
EQUITY OF CANADA (Note 8)		
Contributed capital	23,910	44,462
Income (deficit)	133	(20,603)
	24,043	23,859
Total liabilities and equity of Canada	64,128	64,083

See accompanying notes.

On behalf of the Board:

PETER S. GLENNIE
Chairman

KENNETH R. KRAUTER
General Manager and Chief Executive Officer

SAINT JOHN PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Revenues from operations	12,095	12,184
Expenses		
Operating and administrative	8,086	8,003
Depreciation	1,553	1,590
Grants in lieu of municipal taxes	624	606
Loss on disposal of fixed assets	(12)	(3)
	10,251	10,196
Income from operations	1,844	1,988
Investment income	465	305
Interest expense	(2,125)	(2,125)
	(1,660)	(1,820)
Income before reduction in carrying value of fixed assets	184	168
Reduction in carrying value of fixed assets (Note 7)		(20,552)
Income (loss)	184	(20,384)
Deficit, beginning of year	(20,603)	(219)
	(20,419)	(20,603)
Retained earnings adjustment (Note 8)	20,552	
Retained earnings (deficit), end of year	133	(20,603)

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Cash provided by (used in)		
Operations		
Net income (loss)	184	(20,384)
Add items not requiring a cash payment		
Depreciation	1,553	1,590
Loss on disposal of fixed assets	(12)	(3)
Reduction in carrying value of fixed assets (Note 7)		20,552
Other	75	13
	1,800	1,768
Net change in non-cash working capital balances (Note 9)	(569)	(67)
	1,231	1,701
Investing		
Additions to fixed assets	(499)	(802)
Long-term investments	(4)	(3)
Proceeds on disposal of fixed assets	12	3
	(491)	(802)
Increase in cash	740	899
Cash position, beginning of year	2,154	1,255
Cash position, end of year	2,894	2,154

Cash position consists of cash and short-term investments.
See accompanying notes.

SAINT JOHN PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. *Canada Ports Corporation Act* and incorporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation—Port of Saint John.

2. Significant accounting policies

Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5-6.7
Berthing structures	2.5-10.0
Buildings	2.5-10.0
Utilities	3.3-10.0
Roads and surfaces	2.5-10.0
Machinery and equipment	5.0-100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

	1995		1994	
	Amortized cost	Face value	Amortized cost	Face value
	(in thousands of dollars)			
Canada Treasury Bills	2,846	2,899	2,049	2,062
Canada Bonds	980	1,000	976	1,000

4. Fixed assets

	1995		1994	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	(in thousands of dollars)			
Land	31,755		31,755	
Dredging	1,739	1,590	1,739	1,585
Berthing structures	49,117	35,875	49,060	35,340
Buildings	16,035	6,873	15,945	6,528
Utilities	7,394	5,256	7,366	5,096
Roads and surfaces	7,751	5,720	7,751	5,408
Machinery and equipment	1,096	607	895	561
Office furniture and equipment	1,330	1,165	1,248	1,081
Work under construction			25	
	116,217	57,086	115,784	55,599
Accumulated depreciation	57,086		55,599	
Net book value	59,131		60,185	

5. Loans from Canada

	1995	1994
	(in thousands of dollars)	
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	18,052	18,052

6. Financing provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1995 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, there would currently be an overpayment to the Province of approximately $846,000.

SAINT JOHN PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

7. Reduction in carrying value of fixed assets

In 1994 the Corporation reviewed the carrying value of all its terminal facilities. On an individual basis the carrying value of each terminal was compared to its net recoverable amount. For those terminals where the carrying value was in excess of the net recoverable amount, the carrying value was adjusted to the higher of net recoverable amount or the fair market value of the residual land.

8. Retained earnings adjustment

During the year, permission was obtained from the Minister of Transport to transfer $20,552,000 to retained earnings from contributed surplus. During 1994 the Corporation recorded a reduction in the carrying value of its fixed assets in the amount of $20,552,000 (see Note 7). As a result of the transfer from contributed surplus, retained earnings will reflect the cumulative results of the Corporation's regular operations.

9. Net change in non-cash working capital balances

	1995	1994
	(in thousands of dollars)	
Decrease (increase) in current assets		
Accounts receivable	(355)	(9)
Materials and supplies		8
	(355)	(1)
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	369	(648)
Deferred revenues	(121)	(24)
Grants in lieu of municipal taxes	(462)	606
	(214)	(66)
	(569)	(67)

10. Related party transactions

During the year the Corporation paid $505,116 (1994—$813,341) to Canada Ports Corporation as its share of that Corporation's head office expense.

During the year the Corporation paid $782,223 (1994—$825,225) for the provision of protective services, per agreement with Canada Ports Corporation. The Corporation paid $663,090 of this balance (1994—$825,225) to Canada Ports Corporation. The balance of $119,133 was paid to unrelated suppliers.

11. Transportation system review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*.

At this time, the impact upon the Corporation is not known, but it is not expected to have a significant impact on operations.

ST. JOHN'S PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1995 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

St. John's, Canada
January 31, 1996

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash	158,769	62,435
Investments (Note 3)	4,107,873	3,180,176
Accounts receivable	541,934	567,510
	4,808,576	3,810,121
Fixed (Note 4)	11,997,317	12,732,859
	16,805,893	16,542,980

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable and accrued liabilities	250,401	226,691
Grants in lieu of municipal taxes	118,164	291,726
Deferred revenues	140,986	138,913
	509,551	657,330
Accrued employee benefits	202,538	145,419
	712,089	802,749
EQUITY OF CANADA		
Contributed capital	10,131,636	10,131,636
Surplus	5,962,168	5,608,595
	16,093,804	15,740,231
	16,805,893	16,542,980

Contingencies (Note 6).
See accompanying notes to the financial statements.

On behalf of the Board:

MELVIN WOODWARD
Chairman

DAVID J. FOX, P. Eng.
Port Manager and Chief Executive Officer

ST. JOHN'S PORT CORPORATION—*Continued*

STATEMENTS OF EARNINGS AND SURPLUS
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenue from operations	2,934,299	3,173,748
Operating and administrative expenses	1,895,239	1,966,629
Depreciation	923,333	917,028
Grants in lieu of municipal taxes	31,390	70,838
	2,849,962	2,954,495
Earnings from operations	84,337	219,253
Investment income	269,236	151,904
Net earnings	353,573	371,157
Surplus, beginning of year	5,608,595	5,237,842
Net earnings	353,573	371,157
Dividend to Canada		(404)
Surplus, end of year	5,962,168	5,608,595

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Cash derived from (applied to)		
Operating		
Net earnings	353,573	371,157
Depreciation	923,333	917,028
Other non-cash items	57,119	16,702
	1,334,025	1,304,887
Change in non-cash operating working capital (Note 5)	(136,898)	(97,674)
	1,197,127	1,207,213
Financing		
Change in construction payables	14,695	(84,060)
Investing		
Purchase of fixed assets	(187,999)	(200,177)
Disposal of fixed assets	208	8,101
	(187,791)	(192,076)
Dividend to Canada		(404)
Net increase in cash	1,024,031	930,673
Cash and short-term investments		
Beginning of year	3,242,611	2,311,938
End of year	4,266,642	3,242,611

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Local port corporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of St. John's to the St. John's Port Corporation.

2. Summary of significant accounting policies

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20-33.3%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

ST. JOHN'S PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

3. Investments

	1995		1994	
	Amortized cost	Face amount	Amortized cost	Face amount
	$	$	$	$
Short-term	4,107,873	4,230,000	3,180,176	3,296,000

4. Fixed assets

			1995	1994
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	4,736,134		4,736,134	4,736,134
Berthing structures	11,052,118	7,333,418	3,718,700	3,993,213
Buildings	1,366,194	951,298	414,896	417,529
Utilities	3,520,901	1,672,504	1,848,397	1,980,814
Roads and surfaces	4,019,840	2,973,444	1,046,396	1,364,141
Machinery and equipment	358,942	196,370	162,572	181,889
Office furniture and equipment	295,131	268,589	26,542	27,141
Projects under construction	43,680		43,680	31,998
	25,392,940	13,395,623	11,997,317	12,732,859

5. Change in non-cash operating working capital

	1995	1994
	$	$
Accounts receivable	25,576	(79,754)
Accounts payable and accrued liabilities	9,015	45,470
Grants in lieu of municipal taxes	(173,562)	94,633
Deferred revenues	2,073	(158,023)
	(136,898)	(97,674)

6. Contingent liabilities

Claims aggregating approximately $364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. Related party transactions

During the year the Corporation paid $161,137 (1994—$248,059) and $143,488 (1994—$224,501) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

THE ST. LAWRENCE SEAWAY AUTHORITY

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of The St. Lawrence Seaway Authority and all information in this Annual Report are the responsibility of management.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgements. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the consolidated financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Authority maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of internal control is supplemented by an internal audit which conducts periodic reviews of different aspects of the Authority's operations. In addition, our external auditors have full and free access to the members of the Authority, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing his report thereon.

Carol Lemelin
Comptroller and Treasurer

G.R. Stewart
President & CEO

Cornwall, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the consolidated balance sheet of The St. Lawrence Seaway Authority as at March 31, 1996 and the consolidated statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in accounting for the Authority's interest in a joint venture as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, The *St. Lawrence Seaway Authority Act* and regulations, and the by-laws of the Authority.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 10, 1996

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1996
(in thousands of dollars)

ASSETS	1996	1995 (Restated Note 3)
Current		
Cash and term deposits	26,705	21,650
Accounts receivable	5,177	5,516
Accrued interest receivable	1,953	906
Supplies inventory	2,747	2,531
	36,582	30,603
Long-term		
Investments (Note 4)	57,699	49,300
Mortgages receivable (Note 5)	983	1,138
Advance to a co-venturer (Note 6)	575	765
Investment in non-consolidated wholly-owned subsidiaries (Note 7)	2	2
Capital assets (Note 8)	505,835	511,516
	601,676	593,324

LIABILITIES	1996	1995 (Restated Note 3)
Current		
Accounts payable and accrued liabilities	12,688	9,759
Large corporations tax payable (receivable)	155	(8)
	12,843	9,751
Long-term		
Accrued employee termination benefits	13,608	12,965
	26,451	22,716
Commitments and contingencies (Notes 11 and 12)		
EQUITY OF CANADA		
Contributed capital (Note 9)	624,950	624,950
Deficit	(49,725)	(54,342)
	575,225	570,608
	601,676	593,324

Approved:

G.R. STEWART
President & CEO

C. LEMELIN
Comptroller and Treasurer

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996				1995
	Seaway	Seaway International Bridge	Thousand Islands Bridge	Total	Total
					(Restated Note 3)
Revenues					
Tolls	71,358	1,365		72,723	77,499
Leases and licences	5,000	54	1,071	6,125	6,587
Others	1,545	3	1,395	2,943	3,236
	77,903	1,422	2,466	81,791	87,322
Expenses					
Operations, maintenance and engineering	53,842	784	204	54,830	46,723
Regional administration	5,507	220	50	5,777	6,727
Headquarters administration	8,287		86	8,373	7,830
Amortization	12,925	149	275	13,349	14,930
	80,561	1,153	615	82,329	76,210
Income (loss) from operations	(2,658)	269	1,851	(538)	11,112
Investment income	5,599	(40)	900	6,459	4,462
Final settlement of claim					2,750
Income before large corporations tax	2,941	229	2,751	5,921	18,324
Large corporations tax (Note 10)	1,261		43	1,304	912
Net income for the year	1,680	229	2,708	4,617	17,412

CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996				1995
	Seaway	Seaway International Bridge	Thousand Islands Bridge	Total	Total
Retained earnings (deficit), beginning of year	(73,081)		18,739	(54,342)	(71,754)
Net income for the year	1,680	229	2,708	4,617	17,412
Distribution of Joint Venture net income	229	(229)			
Retained earnings (deficit), end of the year	(71,172)		21,447	(49,725)	(54,342)

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996
(in thousands of dollars)

	1996				1995
	Seaway	Seaway International Bridge	Thousand Islands Bridge	Total	Total
					(Restated Note 3)
Operating activities					
Cash provided from operations					
Net income for the year	1,680	229	2,708	4,617	17,412
Items not requiring cash					
Amortization	12,925	149	275	13,349	14,930
Employee termination benefits	1,544	13		1,557	1,095
Gain on disposal of capital assets	(403)			(403)	(951)
	15,746	391	2,983	19,120	32,486
Net change in working capital components other than cash and term deposits	2,579	(411)		2,168	(3,060)
Payments of employee termination benefits	(904)	(10)		(914)	(387)
Cash provided by (used in) operating activities	17,421	(30)	2,983	20,374	29,039
Internal transfers	2,894		(2,894)		
	20,315	(30)	89	20,374	29,039
Investing activities					
Increase in investments	(8,399)			(8,399)	(21,454)
Decrease (increase) in mortgage receivables	155			155	(972)
Decrease (increase) in advance to a co-venturer	190			190	(33)
Acquisitions of capital assets	(8,117)	(73)	(89)	(8,279)	(9,636)
Proceeds from disposal of capital assets	1,014			1,014	1,880
Cash used in investing activities	(15,157)	(73)	(89)	(15,319)	(30,215)
Increase (decrease) in cash	5,158	(103)		5,055	(1,176)
Cash and term deposits at beginning of year	21,322	328		21,650	22,826
Cash and term deposits at end of year	26,480	225		26,705	21,650
Working capital position at end of year					
Current assets	36,290	292		36,582	30,603
Current liabilities	12,712	131		12,843	9,751
	23,578	161		23,739	20,852

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996

1. The Authority

(a) Authority and objectives

The St. Lawrence Seaway Authority was established in 1954 under the *St. Lawrence Seaway Authority Act* and is classified as a parent Crown corporation under Schedule III Part I of the *Financial Administration Act*.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

The *St. Lawrence Seaway Authority Act* confers upon the Authority the powers to borrow money and to produce revenue by levying tolls for the use of the deep waterway. The tolls that may be charged shall be fair and reasonable and designed to provide a revenue sufficient to defray the cost to the Authority of its operations in carrying out the purposes for which it is incorporated, which costs shall include:

(i) payments in respect to the interest on amounts borrowed by the Authority to carry out those purposes;

(ii) amounts sufficient to amortize the principal of those amounts over a period not exceeding fifty years; and

(iii) the cost of operating and maintaining the canals and works under the administration of the Authority, including all operating costs of the Authority and such reserves as may be approved by the Minister.

Under The *St. Lawrence Seaway Authority Act*, tolls may be established by filing with the Canadian Transportation Agency or by agreement between Canada and the United States. This agreement between the two countries is in the form of an exchange of notes in accordance with directions given by the Governor in Council.

(b) Commercialization of the St. Lawrence Seaway System

As part of its strategy to strengthen Canada's transportation system, on December 14, 1995, the government issued its new National Marine Policy, which confirms that the Great Lakes/St. Lawrence Seaway System is a crucial waterway and a business. This policy will likely impact significantly on the Authority's operations and structure.

Among other elements, the policy announces that the Government of Canada will pursue further commercialization of the operations of the Great Lakes/St. Lawrence Seaway System. To this end, the policy mentions two alternatives. First, negotiations are currently under way with a group representing Seaway users and consideration is being given to establishing a not-for-profit private-sector corporation that would operate the Seaway under a long-term agreement. According to this policy, the government would retain title to all current Seaway lands and structures regardless of how the commercialization of the operations of the Great Lakes/St. Lawrence Seaway System is carried out. Second, should negotiations be unsuccessful, the Government of Canada would pursue the required changes through other options, such as increased commercialization of the current management of the Seaway.

The Authority's future is heavily dependent on the outcome of the current negotiations and of future-related Government's decisions. At this time, it is not possible to evaluate their possible impacts on the financial statements.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of The St. Lawrence Seaway Authority and the Authority's proportional share in the accounts of its joint venture, The Seaway International Bridge Corporation, Ltd. The Authority holds a 50% interest in The Seaway International Bridge Corporation, Ltd., and as a result is entitled to 50% of the assets of the joint venture, its liabilities and its net income.

The Authority's investments in two other wholly-owned subsidiaries for purposes of the *Financial Administration Act*, The Jacques Cartier and Champlain Bridges Incorporated and Great Lakes Pilotage Authority, Ltd., are recorded at cost because the Authority does not have the right and ability to obtain benefits from their resources and the Authority is not exposed to their related risks.

Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in Right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as capital assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

These consolidated financial statements have segregated the operations of the Thousand Islands Bridge on the premise that its management and operation by the Authority is independent of Seaway operations.

(b) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway and is recorded at cost.

(c) Capital assets

Capital assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful service lives of existing assets beyond their life expectancy are capitalized. Repairs and maintenance are charged to operations as incurred. The cost of assets sold, retired, or abandoned, and the related accumulated amortization are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets.

(d) Welland Canal and Valleyfield Bridge rehabilitation programs

Funding received from the Government of Canada for these programs was accounted for by crediting the amount against the costs of related capital projects undertaken during the year. The non-funded remaining cost, which is to be recovered from the users, is capitalized and amortized.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

(e) Employee termination benefits

Employees of the Authority are entitled to specified benefits as provided for under labour contracts and conditions of employment. These benefits include accumulated sick leave which may be payable upon termination and furlough leave. Usually, the termination benefits correspond to the higher of a week's salary (two weeks for the first year of service) for each year of service up to a maximum of 28 weeks or 75% of the balance of the employee's accumulated sick leave days. Employees are allowed 15 days of sick leave per year. The liability at year-end for these benefits is recorded in the accounts as the benefits accrue to employees.

(f) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(g) Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues or expenses in the year in which they are incurred.

(h) Retired employee benefits

The Authority provides a life and major medical insurance plan for its retired employees. Contributions to the plan are required from participant retired employees and the Authority. Surpluses or deficits from the plan are recognized in the accounts in the year in which they are paid or received.

(i) Insurance

The Authority assumes substantially all risks in relation to compensation and damages to its locks. For all other assets the Authority carries conventional insurance.

(j) Incentive tolls and volume rebate program

The Authority offers toll and volume rebates on certain cargoes to promote increased traffic, and thus increase revenues. The rebates are debited to toll revenues earned during the year.

3. Change in accounting policy

Effective April 1, 1995, the Authority adopted the new recommendations of the Canadian Institute of Chartered Accountants which require the use of the proportionate consolidation method of accounting for interests in joint ventures, previously accounted for on the equity method. This change has been applied retroactively and the financial statements of prior years have been restated.

As at April 1, 1995, the main effect of this change was to increase capital assets by $1.1 million and a similar decrease in other long-term receivables; the change did not affect the net income (loss) and deficit for 1995 or any previous year.

4. Investments

In order to provide for future operating requirements, including emergencies and cash deficits, and for the funding of employee termination benefits future payments, the Authority has set aside the following long-term investments, recorded at cost:

	1996	1995
	(in thousands of dollars)	
Operating requirements		
Government of Canada		
Tresury Bills with various interest rates	7,899	
Investment Certificates with various maturity dates between 1 and 4 years and with various interest rates	36,800	36,300
	44,699	36,300
Employee termination benefits		
Deposit with Consolidated Revenue Fund, maturing dates between 2 and 4 years	13,000	13,000
	57,699	49,300

The market value of these investments corresponds approximately to their cost.

5. Mortgages receivable

The Authority has entered into long-term mortgages for the sale of parcels of land. The mortgages are at various interest rates varying from 8% to 9%, are recoverable in monthly instalments and are amortized over a maximum period of 20 years; terms and conditions of these mortgages are renewable every 2 to 3 years. The current receivable portion of mortgages aggregating $153,055 is included in the accounts receivable.

6. Advance to a co-venturer

This account represents the excess of the Authority's investment in its joint venture, The Seaway International Bridge Corporation, Ltd., over its required contribution as per the contractual agreement. The advance carries interest at the average one-year Treasury Bill rate and has no repayment terms.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996—*Continued*

7. Investments in non-consolidated wholly-owned subsidiaries and related party transactions

Investments consist of the following:

	Number of shares	Cost
		$
Great Lakes Pilotage Authority, Ltd. (GLPA)	15	1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	1	100
		1,600

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

During the year ended March 31, 1996, the Authority provided certain engineering and administrative services to JCCBI for which it charged $764,828 (1995—$563,767). Charges are made on full cost recovery basis. At March 31, 1996, the amount receivable from JCCBI totalled $40,782 (1995—$76,579) and is included in the accounts receivable.

The Canadian Coast Guard provides the Authority with navigational aids services. The fee paid by the Authority for this service during the year amounted to $600,000 (1995—$600,000).

8. Capital assets

	1996				1995			
	Amortization rate	Cost	Accumulated amortization	Net	Amortization rate	Cost	Accumulated amortization	Net
		(in thousands of dollars)				(in thousands of dollars)		
Seaway								
Land		28,296		28,296		28,355		28,355
Channels and canals	1%	279,613	102,292	177,321	1%	266,521	97,329	169,192
Locks	1%	224,893	91,065	133,828	1%	230,278	90,943	139,335
Bridges and tunnels	2-4%	124,131	62,320	61,811	2-4%	122,227	59,311	62,916
Buildings	2%	13,819	8,583	5,236	2%	13,240	8,273	4,967
Equipment	2-20%	29,473	26,153	3,320	2-20%	36,287	26,950	9,337
Remedial works	1%	121,019	32,560	88,459	1%	121,407	31,402	90,005
Work under construction		1,107		1,107		688		688
		822,351	322,973	499,378		819,003	314,208	504,795
Seaway International Bridge								
Equipment	5-20%	503	335	168	5-20%	444	279	165
Building	5-10%	34	8	26	5-10%	34	6	28
Remedial works/Deferred major repairs	4.8-10%	992	198	794	4.8-10%	978	107	871
		1,529	541	988		1,456	392	1,064
Thousand Islands Bridge								
Improvements	2-10%	6,811	1,342	5,469	2-10%	6,723	1,066	5,657
Total		830,691	324,856	505,835		827,182	315,666	511,516

Subsequent additions to assets are amortized over the remaining estimated useful service life of the initial group of assets to which the addition is related. The estimated useful life of these assets is for periods up to 2073.

The Authority is continuing its review of the estimated useful service life of all its major physical assets and of its amortization policy. This review may lead to a decrease in the estimated useful life of the assets.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

Welland Canal rehabilitation program

In 1985, the Authority engaged consultants to examine in detail, and report on, the structural condition of the Welland Canal system. The report was submitted during 1986 and, as a result, a seven-year \$175 million rehabilitation program has been established to refit the Welland Canal and ensure a continued safe and reliable waterway into the 21st century. The program consisted of refurbishing the lock walls, stabilizing the canal banks and approach walls, and rehabilitating ancillary structures.

During 1986, the Government of Canada approved funding for the financing of the Welland Canal rehabilitation program. The funding of \$175 million, which terminated in 1993, has been deducted from related works under construction.

Valleyfield Bridge rehabilitation program

In 1987, Hydro-Quebec undertook an in-depth inspection of the bridge which led to the rehabilitation program for the Valleyfield Bridge. The Authority's share of the rehabilitation represents 25% of the total cost.

A Treasury Board decision, rendered in 1992, made the Authority responsible for \$17.8 million of the cost of work completed at March 31, 1992. All work was completed at March 31, 1993 and the costs to be funded by the Government of Canada amounted to \$8.4 million, \$1.0 million of which is included in accounts receivable; a similar amount is included in accounts payable.

9. Contributed capital

As of April 1, 1977, loans from Canada of \$624.95 million were converted to equity by parliamentary appropriation. This amount was recorded as contributed capital. The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has ever been required to be paid since then.

10. Income taxes—Large corporations tax

The Authority, as a prescribed Federal Crown corporation, is subject to the provisions of the *Income Tax Act*. The Authority is not subject to any provincial income taxes.

Currently, unamortized capital cost for tax purposes is in excess of the net book value of capital assets by approximately \$197 million. The tax effect of this excess has not been recorded in the accounts of the Authority. The Authority also has a deductible loss of \$5.9 million expiring in 2002 which is available to reduce the taxable income of future years.

11. Commitments

At March 31, 1996, contractual obligations for capital and other expenditures amounted to \$1.7 million (1995—\$1.4 million). The commitment for the future minimum operating lease payments for office space is \$179,000; the lease expires in November 1996.

12. Contingencies

There is a total of \$73 million in claims instituted against the Authority. These arise from the breakdown of the Valleyfield Bridge in November 1984, the October 1985 Lock 7 wall blow-out, compensation and damages in connection with the expropriation of lands and various other claims. The Authority is contesting all these claims and their outcome cannot be determined at this time although management is of the opinion that these actions will not result in any material losses to the Authority. The Authority is also the claimant in certain other pending or threatened claims and lawsuits.

Decontamination could be needed for some of the Authority's properties. To date, the Authority has not been in a position to determine the related costs, not having assessed its properties' contamination status.

13. Required future funding for major restoration of the Seaway

The amount of funds provided by operating activities and the level of long-term investments for future operating requirements will not be sufficient to finance the anticipated major restoration projects of the St. Lawrence Seaway in the foreseeable future. The Authority will require outside financing of these projects.

14. Comparative figures

Some of the 1995 comparative figures were reclassified to conform to the presentation adopted in 1996.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1996 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
April 19, 1996

BALANCE SHEET AS AT MARCH 31, 1996

ASSETS	1996	1995
	$	$
Current		
Cash and term deposits	3,745,543	2,221,517
Accounts receivable	124,017	1,043,352
Due from Canada	2,115,268	5,286,896
	5,984,828	8,551,765
Capital assets		
Land	3,678,846	3,678,846
Bridges	73,321,602	73,321,602
Vehicles and equipment	1,126,385	1,067,210
	78,126,833	78,067,658
Less: accumulated amortization	67,437,458	66,270,018
	10,689,375	11,797,640
	16,674,203	20,349,405

LIABILITIES	1996	1995
	$	$
Current		
Accounts payable	2,476,229	5,015,409
Due to parent company	38,674	67,194
Deferred revenues	278,409	277,646
	2,793,312	5,360,249
Long-term		
Provision for employee termination benefits	356,904	351,372
	3,150,216	5,711,621
Commitments and contingencies (Notes 5 and 6)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—50 shares without par value		
Issued and fully paid—1 share	100	100
Contributed capital	33,383,335	33,324,159
Deficit	(19,859,448)	(18,686,475)
	13,523,987	14,637,784
	16,674,203	20,349,405

See accompanying notes to the financial statements.

Approved by the Board:

G.R. STEWART
Director

C. CÔTÉ
Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1996

	Jacques Cartier Bridge	Champlain Bridge	Total 1996	Total 1995
	$	$	$	$
Revenues				
Leases and licences	271,731	200,342	472,073	438,102
Interest	100,603	100,603	201,206	163,685
Other	57,519	118,513	176,032	238,150
	429,853	419,458	849,311	839,937
Expenses				
Maintenance (Note 3)	8,100,140	16,026,333	24,126,473	27,527,776
Operation	1,138,583	2,263,939	3,402,522	3,445,772
Administration	671,878	1,086,862	1,758,740	1,957,914
Amortization	107,963	1,059,478	1,167,441	1,161,295
	10,018,564	20,436,612	30,455,176	34,092,757
Loss before Large Corporations Tax	9,588,711	20,017,154	29,605,865	33,252,820
Large Corporations Tax	6,156	6,156	12,312	14,172
Net loss for the year	9,594,867	20,023,310	29,618,177	33,266,992

STATEMENT OF DEFICIT FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Balance at beginning of the year	18,686,475	17,516,013
Net loss for the year	29,618,177	33,266,992
	48,304,652	50,783,005
Parliamentary appropriation—Operations	28,445,204	32,096,530
Balance at end of the year	19,859,448	18,686,475

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Balance at beginning of the year	33,324,159	33,327,597
Parliamentary appropriation (refund)—Capital assets	59,176	(3,438)
Balance at end of the year	33,383,335	33,324,159

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Operating activities		
Net loss for the year	(29,618,177)	(33,266,992)
Non-cash items		
Amortization	1,167,441	1,161,295
Increase in the provision for employee termination benefits	5,532	9,167
	(28,445,204)	(32,096,530)
Changes in non-cash items of working capital	(1,647,602)	(3,556,035)
	(30,092,806)	(35,652,565)
Investing activities		
Addition of capital assets	(59,176)	(46,099)
Proceeds from the disposal of capital assets		49,537
	(59,176)	3,438
Financing activities		
Parliamentary appropriation	28,504,380	32,093,092
Cash and cash equivalents		
Decrease for the year	(1,647,602)	(3,556,035)
Balance at beginning of the year	7,508,413	11,064,448
Balance at end of the year (*)	5,860,811	7,508,413
(*) Cash and term deposits	3,745,543	2,221,517
Due from Canada	2,115,268	5,286,896
	5,860,811	7,508,413
Working capital position at year-end		
Current assets	5,984,828	8,551,765
Current liabilities	2,793,312	5,360,249
	3,191,516	3,191,516

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the *Canada Business Corporations Act* on November 3, 1978 and is a wholly-owned subsidiary of The St. Lawrence Seaway Authority, which is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act.*

The corporation is dependent on the Government of Canada for its financing.

Effective December 1, 1978, the corporation assumed the responsibility for the operation, maintenance and control of the Jacques Cartier and Champlain bridges and of a portion of the Bonaventure Autoroute, situated in the Montreal area.

2. Significant accounting policies

(a) Capital assets

Capital assets acquired from the National Harbours Board (now Canada Ports Corporation) on December 1, 1978 were recorded at their then book values with an offset to contributed capital. Subsequent additions are recorded at cost.

Capital assets are amortized over their estimated economic lives using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20%

The cost of the portion of the Bonaventure Autoroute for which the corporation is responsible and the initial cost of the Jacques Cartier Bridge are fully amortized.

The cost of major maintenance is charged to operations in the year in which the work is performed.

(b) Parliamentary appropriation

The amount of the parliamentary appropriation used to cover the loss for the year is reflected in the statement of deficit. In this regard, operating expenses do not include amortization and any change in the provision for employee termination benefits.

The portion of the parliamentary appropriation used to finance the acquisition of capital assets, net of proceeds from disposal, is recorded as contributed capital.

Any balance of the parliamentary appropriation required to finance the loss for the year and not received at the year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the corporation's policy to reimburse this amount in the following fiscal year.

(c) Deferred revenues

Leases and licenses revenues collected in advance are recorded as deferred revenues.

(d) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided under their collective agreement and their conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(e) Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the corporation. Contributions in respect of current service and of admissible past service are expended when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(f) Expenses

Expenses incurred with respect to the portion of the Bonaventure Autoroute for which the corporation is responsible are included with those for the Champlain Bridge.

(g) Income taxes

The corporation, as a federal Crown corporation is not subject to any provincial income taxes. The corporation is, however, subject to the provisions of the *Federal Income Tax Act* due to the fact that its parent corporation is subject to these provisions in accordance with a regulation regarding this Act. Therefore, the corporation is subject to the Large Corporations Tax.

3. Major rehabilitation works

In its endeavour to keep the bridges and the autoroute in a good state of repair, to protect the public and serve traffic needs throughout the useful life of these installations, the corporation must undertake major rehabilitation works on the deck of the Jacques Cartier bridge. The nature of the work to be undertaken is sufficiently known; it remains difficult presently to estimate precisely the eventual cost of the major repairs which will have to be carried out over a number of years. It is expected that the cost of this program will be funded by parliamentary appropriations. The corporation expects that the repairs to the Jacques Cartier bridge will begin in 1997-98 with a pilot project.

4. Related party transactions

The corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business. The main related party transactions entered into by the corporation sum up to administrative services received from its parent corporation for an amount of $642,856 ($905,778 in 1995).

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Concluded*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

5. Commitments

(a) Leases

The aggregate minimum rental payments under long-term leases for premises and equipment through to April 30, 1997 are approximately $168,000 on an annual basis.

(b) Operation services

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 1999 is $3.2 million on an annual basis.

(c) Suppliers

At March 31, 1996, contractual obligations to suppliers amounted to approximately $5 million.

6. Contingencies

(a) The corporation has benefited from reimbursements equivalent to 57% of the goods and services tax and 40% of the Quebec provincial sales tax since their respective implementation. These reimbursements, totalling $3.5 million, were claimed based on information obtained when these taxes were implemented and lead the corporation to believe that it could benefit from these reimbursements according to the Act.

The status of the corporation is under revision at Revenue Quebec.

It is presently impossible to evaluate whether the corporation will have to return the amounts received as a reimbursement of these taxes or whether it will be exempt. Any settlement that could result from Revenue Quebec decision will be accounted for in the year in which the decision will be rendered.

(b) In the normal course of its activities, the corporation is the claimant or defendant in certain pending claims or lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the corporation. Any amount that could result from the settlement of these claims will be charged to the year in which it occurs.

(c) Decontamination could be needed for some of the corporation's properties. To date, the corporation has not been in a position to determine the related costs, not having assessed its properties' contamination status. The costs related to the environmental evaluations and to the decontamination will be accounted for in the financial period during which they will be incurred by the corporation.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

MANAGEMENT REPORT

The accompanying financial statements of The Seaway International Bridge Corporation, Ltd. and all information in this annual report are the responsibility of management.

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgements. Information contained elsewhere in the annual report is consistent, where applicable, with that contained in the financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Corporation maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of internal control is supplemented by an internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, external auditors have full and free access to the directors of the Corporation, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the financial statements and for issuing his report thereon.

Glendon R. Stewart
President

Carol Lemelin
Treasurer

Cornwall, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1995 and the statements of revenues and expenses and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *St. Lawrence Seaway Authority Act*, the *Canada Business Corporations Act*, and the articles and by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 23, 1996

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (a joint venture)—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1995

ASSETS	1995	1994
	$	$
Current assets		
Cash and short-term deposits	449,662	655,090
Accounts receivable	29,424	10,569
Goods and Services Tax refundable	104,256	86,375
	583,342	752,034
Capital assets (Note 3)		
Cost	1,173,237	1,054,344
Less: accumulated amortization	711,376	590,849
	461,861	463,495
Deferred major repairs		
Cost	1,886,413	1,858,037
Less: accumulated amortization	370,831	194,441
	1,515,582	1,663,596
	2,560,785	2,879,125

LIABILITIES	1995	1994
	$	$
Current liabilities		
Accounts payable and accrued liabilities	157,347	477,150
Deferred revenue	103,557	90,871
	260,904	568,021
Due to venturers (Note 4)		
The St. Lawrence Seaway Authority	444,990	845,409
Saint Lawrence Seaway Development Corporation		3,707
	444,990	849,116
	705,894	1,417,137
Long-term liabilities		
Due to venturers (Note 4)		
The St. Lawrence Seaway Authority	1,147,592	953,013
The Saint Lawrence Seaway Development Corporation	441,066	263,312
	1,588,658	1,216,325
Accrued employee termination benefits	250,233	229,663
Debentures payable (Note 5)	8,000	8,000
	1,846,891	1,453,988
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
	2,560,785	2,879,125

Approved by the Board:

GLENDON R. STEWART
President and Director

GAIL C. McDONALD
Vice-President and Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (a joint venture)—*Continued*

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Revenues		
Tolls	2,730,310	2,947,110
Rentals	107,302	107,730
Interest	58,134	71,760
Other	55,043	4,082
	2,950,789	3,130,682
Expenses		
Salaries and employee benefits	1,450,247	1,454,775
Amortization of capital assets and deferred major repairs	296,918	305,008
Operations and maintenance, materials and services	225,679	247,984
Professional services	213,285	197,675
Interest due to the venturers (Note 4)	138,362	87,791
Grants in lieu of municipal taxes	36,695	36,780
Insurance	30,883	30,385
Electricity	29,859	26,860
Advertising, telephone and office supplies	24,934	29,708
Employee termination benefits	24,897	18,714
Travel	4,884	4,320
Other	15,674	10,700
	2,492,317	2,450,700
Excess of revenues over expenses	458,472	679,982
Allocation of excess of revenues over expenses for the year as per the joint venture agreement (Note 4)		
Saint Lawrence Seaway Development Corporation	229,236	339,991
The St. Lawrence Seaway Authority	229,236	339,991
Total allocation	458,472	679,982

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
	$	$
Operating activities		
Cash provided from operations		
Excess of revenues over expenses, before allocation to venturers	458,472	679,982
Items not requiring cash		
Provision for employee termination benefits	24,897	18,714
Amortization of capital assets and deferred major repairs	296,918	305,008
	780,287	1,003,704
Decrease (increase) in accounts receivable	(18,855)	24,316
Increase (decrease) in accounts payable accrued liabilities and deferred revenue	82,449	(36,772)
Payments of employee termination benefits	(19,398)	(8,274)
Cash provided by operating activities	824,483	982,974
Financing activities		
Payments to venturers, net of interest charged	(490,266)	(192,728)
Investing activities		
Additions to deferred major repairs	28,376	1,746,295
Additions to capital assets	118,893	96,471
Proceeds from disposal of capital assets		(7,819)
Increase in Goods and Services Tax refundable	17,881	86,375
Decrease (increase) in accounts payable	374,495	(374,495)
	539,645	1,546,827
Decrease in cash	(205,428)	(756,581)
Cash and short-term deposits, beginning of the year	655,090	1,411,671
Cash and short-term deposits, end of the year	449,662	655,090

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (a joint venture)—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. Authority and activities

The Seaway International Bridge Corporation, Ltd. (the Joint Venture) is an agent of The St. Lawrence Seaway Authority and its US counterpart, the Saint Lawrence Seaway Development Corporation. The purpose of the Joint Venture is to operate and manage the international bridge between Cornwall, Ontario, and Rooseveltown, New York based on a September 1957 joint venture agreement. The bridge comprises two main sections, the North Channel Bridge and the South Channel Bridge. The operation includes the collection of tolls.

The Seaway International Bridge Corporation, Ltd. was incorporated under the *Canada Corporations Act* in 1962, continued under the *Canada Business Corporations Act*, and is subject to *The St. Lawrence Seaway Authority Act*. All the shares of The Seaway International Bridge Corporation, Ltd. are owned by The St. Lawrence Seaway Authority which constitutes a subsidiary for the purposes of the *Financial Administration Act*.

2. Accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles used in Canada. A summary of significant accounting policies follows:

Excess of revenues over expenses

Excess of revenues over expenses is distributed based on a formula specified in the joint venture agreement as described in Note 4 to the financial statements. The excess of revenues over expenses represents amounts collected on behalf of The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, and does not constitute a profit for the Joint Venture.

Capital assets and amortization

Capital assets are recorded at cost. These costs include moveable and removable assets acquired to operate the bridge. The cost of the North Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority. The cost of the South Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority (32%) and the Saint Lawrence Seaway Development Corporation (68%).

Costs, borne by the joint venture, that are improvements to the North Channel Bridge which are required for operational efficiency and to ensure its reliability are capitalized if they enhance the service potential of the capital asset. Costs of major repairs and betterments to the South Channel Bridge are the direct financial responsibility of the two venturers and, as a result, are not recorded as capital assets or expenses in the financial statements.

Amortization of capital assets is based on their estimated useful life and is calculated on the straight-line method at the following annual rates:

Automotive	10% and 20%
Maintenance equipment	10% to 20%
Office and toll equipment	10% to 20%
Buildings	5% to 10%
Bridge equipment	5%
Remedial works	4.8% to 10%

Deferred major repairs

Deferred major repairs represent the cost of a major rehabilitation project, completed in 1995, which maintains the reliability of the North Channel Bridge over future years. The amount is amortized using the straight-line method over the estimated 10 year useful life.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Joint Venture. These contributions represent the total pension liability of the Joint Venture and are recognized in the accounts on a current basis. The Joint Venture is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Deferred revenue

Revenue from unredeemed toll tickets is deferred.

Employee life insurance plan

The Joint Venture provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues and/or expenses in the year in which they are determined.

3. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Automotive	193,631	165,512	28,119	50,018
Maintenance equipment	283,343	142,505	140,838	127,519
Office and toll equipment	489,607	344,952	144,655	127,489
Buildings	68,815	15,646	53,169	56,438
Bridge equipment	40,007	18,003	22,004	24,004
Remedial works	97,834	24,758	73,076	78,027
	1,173,237	711,376	461,861	463,495

THE ST. LAWRENCE SEAWAY AUTHORITY—*Concluded*

APPENDIX 2—*Concluded*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (a joint venture)—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

4. Due to venturers

As per the joint venture agreement, the annual excess of revenues over expenses over the years was first distributed to The St. Lawrence Seaway Authority as a bridge user charge to reimburse it for the construction cost of the North Channel Bridge together with interest. At the end of 1993, the bridge user charge distributed to The St. Lawrence Seaway Authority totalled $11,109,347 representing the full reimbursement of the said construction cost and related interest. Accordingly, since then the annual excess of revenues over expenses is divided equally between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation.

The amounts due to The St. Lawrence Seaway Authority (SLSA) and the Saint Lawrence Seaway Development Corporation (SLSDC) are calculated as follows:

	SLSA		SLSDC	
	1995	1994	1995	1994
	$	$	$	$
Balance due at beginning of year	1,798,422	1,521,291	267,019	56,896
Interest charged	119,015	84,084	19,347	3,707
Allocation of excess of revenues over expenses	229,236	339,991	229,236	339,991
	2,146,673	1,945,366	515,602	400,594
Payments made during the year				
—Remittance of a portion of prior year's excess of revenues over expenditure	400,000			
—Interest	119,015	84,084		
—Work done on behalf of SLSA and SLSDC to the South Channel Bridge*	35,076	62,860	74,536	133,575
	554,091	146,944	74,536	133,575
Amount due at end of year	1,592,582	1,798,422	441,066	267,019
Long-term portion	1,147,592	953,013	441,066	263,312
Current portion	444,990	845,409		3,707

* Major repairs and/or betterments incurred to assure the reliability of the South Channel Bridge are to be borne by SLSA and the SLSDC.

The long-term portion of the amount due to each corporation is to represent their respective share of the financing of deferred major repairs and remedial works, which total $1,588,658 at year end. The total amount due to SLSDC is currently lower than its required share and, as a result, SLSA carries the difference. The long-term portion of the amount due to SLSDC is expected to increase by its share in the excess of revenues over expenses in future years, until it matches its share of the unamortized balance of deferred major repairs.

The amounts due to The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation will be paid as funds become available. Interest is charged on the balance outstanding at the average one year Treasury Bill rate for the long-term portion and at the average three month Treasury Bill rate for the current portion.

5. Debentures payable

These debentures, due on December 31, 2012, are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

6. Bridge use

With the approval of the Canadian Transportation Agency, the Joint Venture continues the practice of providing free usage of the bridge system to certain North American Indians. This represents a substantial portion of the Bridge traffic.

7. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, administrative support and certain engineering services are provided by The St. Lawrence Seaway Authority. Administrative support services amounted to $62,557 for 1995 ($61,391 for 1994). The charge for engineering services amounted to $23,609 for 1995 ($33,722 for 1994). The Joint Venture also enters into various other transactions with the Government of Canada, its agencies and other Crown corporations, in the normal course of business.

8. Comparative figures

Some of the 1994 comparative figures were reclassified to conform to the presentation adopted in 1995.

STANDARDS COUNCIL OF CANADA

REPORT OF MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements and all information in the Annual Report are the responsibility of the Council of its officers. The financial statements were prepared by management in conformity with generally accepted accounting principles appropriate to Council's operations. The non-financial information provided in the Annual Report has been selected on the basis of its relevance to Council's objectives.

Council maintains a system of financial and management controls and procedures designed to provide reasonable assurance that the transactions undertaken by the Council are appropriately authorized, that assets are safeguarded and that financial records are properly maintained to provide reliable financial statements. These controls and procedures are also designed to provide reasonable assurance that transactions are in accordance with the Council's objectives and within its mandate as stated in the *Standards Council of Canada Act*.

The Auditor General annually provides an independent, objective review of the financial records to determine if the financial statements report fairly the operating results and financial position of the Council in accordance with generally accepted accounting principles.

Council, through its Audit Committee, is responsible for reviewing management's financial and reporting practices in order to satisfy itself that these responsibilities are properly discharged by management. The Audit Committee, comprised solely of Council members, meets with management and the Auditor General to review the annual financial statements and reports on them to the Council.

Richard Lafontaine
President

AUDITOR'S REPORT

TO THE MINISTER OF INDUSTRY

I have audited the balance sheet of Standards Council of Canada as at March 31, 1996 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Standards Council of Canada Act* and the by-laws of the Council.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 10, 1996

BALANCE SHEET AS AT MARCH 31, 1996

ASSETS	1996	1995
	$	$
Current		
Cash	680,367	689,102
Accounts receivable		
Federal government departments	153,406	231,562
Other	1,107,491	802,717
Parliamentary appropriation receivable	523,000	763,000
Inventory of foreign standards	185,377	124,025
Prepaid expenses	367,782	363,657
	3,017,423	2,974,063
Capital assets (Note 3)	389,441	359,136
	3,406,864	3,333,199

LIABILITIES	1996	1995
	$	$
Current		
Accounts payable and accrued liabilities	888,426	957,564
Customer and other deposits	83,794	105,217
Deferred revenue	105,941	81,404
	1,078,161	1,144,185
Long-term		
Accrued employee severance benefits	149,106	243,303
	1,227,267	1,387,488
EQUITY OF CANADA		
Equity of Canada	2,179,597	1,945,711
	3,406,864	3,333,199

Approved by the Council:

RICHARD LAFONTAINE
President

MICHAEL B. McSWEENEY
Executive Director

STANDARDS COUNCIL OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Revenue		
Sales of standards	2,881,457	2,490,675
Accreditation fees	1,357,519	1,167,728
WTO/NAFTA Enquiry Point	312,289	351,687
Interest income	38,355	37,002
Other	54,965	114,563
	4,644,585	4,161,655
Expenses		
Salaries and employee benefits	3,293,434	3,337,155
Direct cost of standards sold	1,514,608	1,209,266
Memberships in international organizations	1,334,202	1,248,328
Travel	912,981	879,023
Office accommodation	752,795	697,874
Publications and printing	528,074	457,785
Professional and special services	368,973	490,296
Telecommunications and postage	284,114	241,981
Amortization of capital assets	156,582	137,843
Office supplies	131,006	79,688
Exchange of national standards	89,348	58,111
Public relations	78,746	72,596
Rental of office equipment	74,158	78,504
Meetings	30,687	63,214
Other	124,991	140,348
	9,674,699	9,192,012
Excess of expenses over revenue	5,030,114	5,030,357

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Balance at the beginning of the year	1,945,711	1,553,068
Parliamentary appropriation (Note 4)	5,264,000	5,423,000
	7,209,711	6,976,068
Excess of expenses over revenue	(5,030,114)	(5,030,357)
Balance at the end of the year	2,179,597	1,945,711

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1996

	1996	1995
	$	$
Operating activities		
Excess of expenses over revenue	(5,030,114)	(5,030,357)
Items not requiring an outlay of cash		
Amortization of capital assets	156,582	137,843
	(4,873,532)	(4,892,514)
Payment of accrued employee severance benefits	(94,197)	(82,228)
Changes in current liabilities and current assets other than cash	(118,119)	(278,732)
Cash applied to operating activities	(5,085,848)	(5,253,474)
Financing activities		
Parliamentary appropriation	5,264,000	5,423,000
Investing activities		
Additions to capital assets	(186,887)	(119,007)
(Decrease) increase in cash during the year	(8,735)	50,519
Cash at beginning of the year	689,102	638,583
Cash at end of the year	680,367	689,102

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

1. Authority, objects, and programmes

The Standards Council of Canada was created by Parliament as a corporation under the *Standards Council of Canada Act* in 1970 to be the national coordinating body for voluntary standardization. The Council is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The objects of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance, and safety of buildings, structures, manufactured articles, and products and other goods, and to further international cooperation in the field of standards.

The Council's activities and programmes are centred around six broad areas:

- accrediting organizations engaged in standards development and conformity assessment;
- representing Canada's interests internationally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Pacific Area Standards Congress (PASC), and the Pan American Standards Commission (COPANT);
- coordinating and approving the development of National Standards of Canada;

STANDARDS COUNCIL OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996—*Concluded*

- serving as the focal point for enquiries on the subject of standardization for both domestic and international activities and standards;
- fostering and promoting the understanding, benefits, and usage of standards in all aspects of economic activity both nationally and internationally;
- serving as the repository and focal point for national and international standards for distribution to Canadian industry.

2. Significant accounting policies

(a) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	5 years
Equipment	4 years
Leasehold improvements	term of the lease

(b) Inventory

Inventory of foreign standards is valued at the lower of cost or replacement cost.

(c) Prepaid expenses

Annual membership fees paid to ISO and IEC for periods extending beyond the fiscal year are recorded as prepaid expenses.

(d) Recoverable expenses

Recoveries of expenses in respect of an agreement for the operation of the WTO/NAFTA Enquiry Point are recognized as revenue at the time the expenses are incurred.

(e) Revenue and deferred revenue

Revenue is recorded on an accrual basis in the year in which it is earned. Amounts invoiced for accreditation services which have not been rendered are deferred and the revenue recorded as the services are provided.

(f) Parliamentary appropriation

Operating expenditures and the acquisition of capital assets are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

(g) Employee severance benefits

Up to March 31, 1994, employees earned specified benefits payable on termination as provided for under Conditions of Employment. Benefits due to employees as of that date will be paid out over a five year period ending March 31, 1999, or upon an employee's termination if prior to March 31, 1999.

(h) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Council's contributions to the plan are limited to matching the employee's contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Council.

3. Capital assets

	1996			1995
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Furniture	259,997	218,000	41,997	60,988
Equipment	919,917	690,431	229,486	191,163
Leasehold improvements	152,983	35,025	117,958	106,985
	1,332,897	943,456	389,441	359,136

4. Parliamentary appropriation

	1996	1995
	$	$
Amount voted	5,264,000	5,426,000
Frozen allotment		3,000
Amount used	5,264,000	5,423,000

5. Lease commitment

The Council is leasing office space for a ten year term which expires in May 2002. The future minimum annual rental under this agreement, exclusive of operating and realty tax expense, is $410,810 for years one to five, and $416,008 for years six to ten.

6. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business.

VANCOUVER PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DAVID ANDERSON, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1995 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

Vancouver, Canada
February 9, 1996

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current assets		
Cash	2,222	2,038
Investments (Note 2)	55,387	17,392
Accounts receivable	9,737	8,465
	67,346	27,895
Long-term receivables (Note 3)	12,495	13,248
Property and equipment (Note 4)	367,808	341,776
	447,649	382,919

LIABILITIES AND EQUITY OF CANADA	1995	1994
Current liabilities		
Accounts payable and accrued liabilities	25,901	12,734
Grants in lieu of municipal taxes	7,428	5,495
Deferred revenues	3,999	4,051
	37,328	22,280
Accrued employee benefits	1,198	1,492
Long-term loans (Note 5)	44,324	2,065
	82,850	25,837
EQUITY OF CANADA		
Contributed capital	150,259	150,259
Retained earnings	214,540	206,823
	364,799	357,082
Commitments (Note 7)		
Contingencies (Note 8)		
	447,649	382,919

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. RON LONGSTAFFE
Chairman

THOMAS G. WHITE
Director

VANCOUVER PORT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Operating revenue	62,531	58,136
Expenses		
Operating and administrative expenses	29,658	30,201
Grants in lieu of municipal taxes	9,000	4,618
Depreciation	13,000	10,420
	51,658	45,239
Income from operations	10,873	12,897
Investment income	4,113	3,113
Interest expense	(2,916)	(203)
	1,197	2,910
Net income	12,070	15,807
Retained earnings, beginning of year	206,823	193,968
	218,893	209,775
Dividend payment to Canada	(4,353)	(2,952)
Retained earnings, end of year	214,540	206,823

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Cash provided by (used for):		
Operations		
Net income	12,070	15,807
Items not involving cash		
Depreciation	13,000	10,420
Other	180	792
Changes in non cash operating working capital	13,777	7,293
	39,027	34,312
Financing		
Long-term loans (net)	42,259	(331)
Dividend payment to Canada	(4,353)	(2,952)
Long-term receivables	672	660
	38,578	(2,623)
Investments		
Additions to property and equipment (net)	(39,426)	(61,053)
Increase in cash and investments	38,179	(29,364)
Cash and investments, beginning of year	19,430	48,794
Cash and investments, end of year	57,609	19,430

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995

Local port corporation

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime trade and passengers through the Port of Vancouver in the best interests of Canadians with facilities and services that are competitive, safe, commercially viable, dependable and customer-oriented and which have broad public support".

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superseding the *Canada Ports Corporation Act*. At this time, the impact of these changes on the Corporation is not known.

1. Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

VANCOUVER PORT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Continued*

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Accruals are assessed each year and changes, if any, are made in the current period's financial statements based on the best available information, including the results of audits by the Municipal Grants Division of Public Works Canada.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. Investments

Current investments are in Government of Canada treasury bills and term deposits. At December 31, 1995 and 1994 the market value of these investments approximated carrying value.

3. Long-term receivables

	1995	1994
	(in thousands of dollars)	
Long-term agreements for sale, bearing interest between 6 5/8% and 9% per annum, receivable in blended annual installments totaling approximately $1.8 million, maturing between 1996 and 2012	12,098	12,713
Less current portion (included in accounts receivable)	(752)	(691)
	11,346	12,022
Fire protection costs, net of amortization	1,120	1,200
Other	29	26
	12,495	13,248

4. Property and equipment

			1995	1994
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	90,823		90,823	86,493
Dredging	584	289	295	185
Berthing structures	100,468	35,926	64,542	39,829
Buildings	142,620	32,045	110,575	92,997
Utilities	21,487	10,667	10,820	11,528
Roads and surfaces	38,471	27,882	10,589	10,489
Machinery and equipment	33,754	16,926	16,828	16,826
Office furniture and equipment	12,907	8,280	4,627	3,758
Projects under construction	58,708		58,708	79,671
	499,822	132,015	367,807	341,776

5. Long-term loans

	1995	1994
	(in thousands of dollars)	
Loan from Canada, bearing interest at 7.5%, repayable in blended annual installments, maturing December 31, 2000	2,065	2,396
Loan from Export Development Corporation, bearing interest at approximately 8.5%, repayable quarterly in blended instalments, maturing May 31, 2005	44,239	
	46,304	2,396
Less current portion (included in accounts payable)	(1,980)	(331)
	44,324	2,065

Principal repayment requirements over the next five years are as follows:

	$
1996	1,980
1997	2,149
1998	2,333
1999	2,532
2000	2,750
	11,744

Under the terms of a $139 million credit facility with the Export Development Corporation (EDC), the Corporation has access to (1) short-term, floating interest rate loans with the last draw due to be repaid November 1996 and (2) fixed interest rate loans available to the limit of the credit facility due in blended interest and principal payments over ten years. Under this facility the Corporation is obligated to make draws from the EDC under both the short and longer term financing arrangements. Draws are required on a short-term basis totalling $37.2 million. Draws totalling up to $139 million are required which will be repaid over ten years with the last draw required to be advanced to the Corporation in November 1996. Interest on the ten year loans is determined with reference to the prevailing rate for ten year Government of Canada bonds at the time of the advance plus 42.5 basis points.

VANCOUVER PORT CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995—*Concluded*

6. Related party transactions

In addition to the related party transactions described elsewhere in these consolidated financial statements, the Corporation paid $1,546,955 (1994—$2,107,000) to Canada Ports Corporation as its share of that corporation's operating expenses.

7. Commitments

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1995 are estimated at $76.9 million.

It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a Corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

8. Contingencies

(a) At December 31, 1995, the Corporation had claims from municipalities for grants in lieu of taxes of approximately $12.9 million (1994—$14.3 million) greater than the amount accrued in the financial statements.

(b) There are estimated claims against the Corporation for approximately $18.5 million plus unspecified damages. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for in the accounts of the year a liability is estimable.

9. Comparative figures

Certain prior year amounts have been reclassified to conform with the presentation adopted in the current year.

VIA RAIL CANADA INC.

MANAGEMENT REPORT

Management of the Corporation is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position.

To fulfill its responsibility, the Corporation maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by Samson Bélair Deloitte & Touche, general partnership as internal auditors as well as the Auditor General of Canada and Raymond, Chabot, Martin, Paré, general partnership during the audit of the financial statements.

The Audit Committee of the Board of Directors, consisting solely of outside Directors, meets periodically with the internal and external auditors and with management, to review the scope of the audit and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

T.W. Ivany
President and Chief Executive Officer

J.R. Paquette
Vice-President, Planning and Finance, and Treasurer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the balance sheet of VIA Rail Canada Inc. as at December 31, 1995 and the statements of operations, reconciliation to operating funding from the Government of Canada, contributed surplus, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Raymond, Chabot, Martin, Paré
General partnership
Chartered Accountants

Montreal, Canada

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 16, 1996

VIA RAIL CANADA INC.—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Current assets		
Cash and term deposits	9,256	8,406
Accounts receivable	5,995	9,758
Advance on contract (Note 5)	4,789	12,879
Receivable from the Government of Canada	83,335	78,928
Materials	18,730	18,568
	122,105	128,539
Long-term assets		
Cash appropriated for asset renewal (Note 3)	23,072	12,518
Investment, at cost (Note 4)	2,001	2,001
Properties (Note 6)	636,195	647,293
	661,268	661,812
	783,373	790,351

	1995	1994
Current liabilities		
Accounts payable and accrued liabilities	105,952	102,917
Deferred revenue	5,131	4,963
	111,083	107,880
Long-term liabilities		
Network restructuring and reorganization charges (Note 7)	22,740	48,086
Other	9,097	7,482
	31,837	55,568
Shareholder's equity		
Share capital (Note 8)	9,300	9,300
Contributed surplus	683,064	682,559
Deficit	(51,911)	(64,956)
	640,453	626,903
	783,373	790,351

See accompanying notes to financial statements.

Signed on behalf of the Board:

HUGH K. SMITH, Q.C.
Director and Chairman of the Audit Committee

MARC LEFRANÇOIS
Director and Chairman of the Board

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Revenue		
Passenger	163,403	163,590
Other	11,571	12,838
	174,974	176,428
Expenses		
Customer services	229,471	239,312
Equipment maintenance	98,734	114,187
Marketing and sales	25,390	26,276
Support services	36,142	48,855
General and administrative	7,256	8,926
Reorganization charges (Note 7)	20,412	19,942
Capital taxes	917	1,718
	418,322	459,216
	243,348	282,788
Operating funding from the Government of Canada (Note 11)	255,779	292,900
Results before amortization	12,431	10,112
Amortization	38,509	49,381
Net results	(26,078)	(39,269)

See accompanying notes to financial statements.

STATEMENT OF RECONCILIATION TO OPERATING
FUNDING FROM THE GOVERNMENT OF CANADA
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Net results	(26,078)	(39,269)
Items not requiring (providing) current operating funds		
Amortization and gains/ losses on properties	39,123	50,169
Network restructuring and reorganization charges recovery	(13,023)	(10,851)
	26,100	39,318
Operating funding surplus for the year	22	49

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED SURPLUS
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Balance at beginning of the year	682,559	707,426
Capital funding from the Government of Canada	39,628	25,302
Transfer to deficit		
Non-cash transactions on properties (1993—$49,299)	(39,123)	(50,169)
Balance at end of the year	683,064	682,559

See accompanying notes to financial statements.

STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Balance at beginning of the year	64,956	75,856
Net results	26,078	39,269
Transfer from contributed surplus		
Non-cash transactions on properties (1993—$49,299)	(39,123)	(50,169)
Balance at end of the year	51,911	64,956

See accompanying notes to financial statements.

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1995
(in thousands of dollars)

	1995	1994
Cash provided by (used in) operating activities		
Net results	(26,078)	(39,269)
Non-cash charges (credits) to operations		
Amortization of properties	41,411	45,182
Losses (gains) on write-off, retirement and disposal of properties	(2,288)	4,987
Amortization of investment tax credits	(614)	(788)
Changes in non-cash working capital	17,357	(18,569)
Network restructuring and reorganization charges	(25,346)	(7,075)
Other long-term liabilities	2,228	(33)
	6,670	(15,565)
Cash provided by (used in) financing activities		
Capital funding from the Government of Canada	39,628	25,302
Receivable from the Government of Canada	(12,376)	(4,802)
	27,252	20,500
Cash provided by (used in) investment activities		
Cash appropriated for asset renewal	(10,554)	(3,018)
Acquisition of properties	(39,628)	(25,302)
Advance on contract	4,121	12,364
Proceeds from sale of surplus properties	7,482	2,020
Accounts payable and accrued liabilities related to properties	5,507	5,390
	(33,072)	(8,546)
Cash and term deposits		
Increase (decrease) during the year	850	(3,611)
Balance at beginning of the year	8,406	12,017
Balance at end of the year	9,256	8,406
Represented by		
Cash	(3,331)	1,141
Term deposits	12,587	7,265
	9,256	8,406

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995

1. Authority and objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the Financial Administration Act. It was incorporated in 1977 under the Canada Business Corporations Act. The Corporation's mission is to manage and provide safe, efficient, effective and economic rail passenger services in Canada to meet the needs of the travelling public. It uses the roadway infrastructure of other railway companies which also assure the control of train operations.

The Corporation is not an agent of Her Majesty and is subject to the Income Tax Act (Canada) and those of certain provinces.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies followed by the Corporation are summarized as follows:

(a) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded in the statement of operations. The amounts are determined on the basis of operating costs less commercial revenues excluding non-cash transactions relating to properties, certain network restructuring and reorganization charges, and are based on the operating budget approved by the Government of Canada for each year. Operating results are reconciled to operating funding in the statement of reconciliation to operating funding from the Government of Canada.

Funding to cover the costs of the network restructuring and reorganization charges is recorded as a recovery in the statement of operations in the year in which final settlements with or disbursements are made to employees or suppliers.

Funding for capital expenditures is recorded as contributed surplus on an accrual basis.

(b) Charges under train service agreements

Effective January 15, 1990, the Corporation entered into a train service agreement and other agreements with Canadian Pacific Limited for the use of tracks and train personnel, control of train operations and rolling stock maintenance. It also entered into a train service and other agreements with Canadian National Railway effective January 1, 1989 expiring on December 31, 2008, to cover services provided by the latter. Charges under these agreements are not subject to adjustment by the National Transportation Agency.

Prior to these agreements, the Corporation had an operating agreement with each of Canadian Pacific Limited and Canadian National Railway. The terms of these agreements are still in effect with respect to certain station facilities and ancillary services not yet covered by specific successor agreements. Charges under these operating agreements are subject to adjustment by the National Transportation Agency following a determination of the actual costs incurred each year, using railway costing methodology approved by the National Transportation Agency. Certain charges for the years 1989 to 1995 inclusive, have not been finalized.

Charges under these agreements are recorded as incurred.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

(c) Materials

Materials are valued at weighted average cost.

(d) Properties

Properties acquired from Canadian National Railway and Canadian Pacific Limited at the start of operations in 1978 were recorded at the net transfer values while subsequent additions, including those acquired under capital leases, are recorded at cost.

The costs of refurbishing and rebuilding rolling stock and costs associated with other property upgrading are capitalized if they are incurred to improve the service value or extend the useful lives of the properties concerned; otherwise, costs are expensed as incurred.

(e) Amortization of properties

Amortization of properties is calculated on a straight-line basis at rates sufficient to write off the cost of properties, less their residual value, over their estimated useful lives, as follows:

Rolling stock	12 to 30 years
Maintenance buildings	25 years
Stations and facilities	20 years
Infrastructure improvements	5 to 38 years
Leasehold improvements	5 to 20 years
Machinery and equipment	4 to 15 years
Information systems	3 years
Other assets	7 to 10 years

No amortization is provided for projects in progress or retired rolling stock.

(f) Leases

Properties recorded under capital leases are amortized on a straight-line basis over 20 years, which is representative of their useful lives.

Rental payments under operating leases are expensed as incurred.

(g) Income taxes

Funding from the Government of Canada provided to the Corporation to cover operating costs is determined on the basis of current needs. For this reason, income taxes are accounted for on the taxes payable basis as there is a reasonable expectation that all taxes payable in future years will be included in the Government approved formula for reimbursement and will be recoverable at that time.

(h) Deferred credits

Investment tax credits are amortized over the estimated useful lives of the related properties. The amortization of deferred investment tax credits is recorded as a reduction of the amortization of properties. Lease inducement credits are amortized over the term of the leases.

(i) Pension plans

The Corporation has defined benefit pension plans, based on retirement age, compensation and length of service, covering all its permanent employees.

The cost to the Corporation is determined by actuarial valuations which allocate to each year, the accrued portion of the benefits based on projections of employees' compensation levels to the time of their retirement, prorated on employees' years of service.

Pension expense (Note 10) includes the cost of benefits attributable to services rendered during the current year, the amortization of any unfunded liability in respect of past services and the amortization of experience gains and losses. These amortizations are calculated on a straight-line basis over the expected average remaining service lives of the active employee groups.

(j) Employee termination and special benefits

Employee termination and special benefits provided for under labour agreements and special programmes are expensed in the year in which these costs are incurred.

3. Cash appropriated for asset renewal

The Corporation has been authorized by the Treasury Board of the Government of Canada to segregate proceeds from the sale or lease of surplus assets in a manner which ensures that these funds are retained for future capital projects. The Corporation is planning to invest these funds in support of future capital requirements.

4. Investment

The Corporation owns 4.61% of the common shares of Railroad Association Insurance, Ltd. (R.A.I.L.) for the purpose of maintaining a reinsurance facility. The book value of this investment, according to the financial statements of R.A.I.L. as at November 30, 1995, was $9.3 million (1994—$8.9 million).

5. Advance on contract

The advance on contract relates to the modernization of stainless steel coaches by Canadian National Railway. The advance to Canadian National Railway will be capitalized to rolling stock on a prorata basis upon delivery and acceptance of each of the 33 cars.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Continued*

6. Properties

	1995			1994		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
			(in millions of dollars)			
Land	3.3		3.3	4.7		4.7
Rolling stock	529.7	227.5	302.2	530.8	214.6	316.2
Maintenance buildings	218.3	83.5	134.8	216.9	75.3	141.6
Stations and facilities	27.2	8.7	18.5	27.7	7.4	20.3
Infrastructure improvement	94.7	23.3	71.4	94.7	20.8	73.9
Leasehold improvements	86.0	46.0	40.0	83.9	42.2	41.7
Machinery and equipment	30.7	19.2	11.5	29.4	18.2	11.2
Information systems	72.3	68.0	4.3	69.9	66.0	3.9
Other assets	21.1	18.7	2.4	23.3	20.6	2.7
	1,083.3	494.9	588.4	1,081.3	465.1	616.2
Projects in progress			45.3			23.4
Retired rolling stock (at salvage value)			2.5			3.6
Advance on contract						4.1
			636.2			647.3

At December 31, 1995, the gross value of assets under capital leases included above was $5.9 million (1994—$5.9 million) and related accumulated amortization thereon amounted to $3.9 million (1994—$3.7 million).

Projects in progress primarily consist of rolling stock modernization and station improvement projects.

7. Network restructuring and reorganization charges

The Corporation has incurred expenses related to approved plans for the restructuring of its transportation network on October 4, 1989 as well as reorganizations. The major costs related to these plans are:

(a) severance payments and employment security benefits governed by labour agreements, special programmes and arbitration decisions which may extend over several years;

(b) surplus properties that have been written down to their estimated salvage value and are being disposed of; and

(c) lease cancellation penalties, materials devaluation and other costs.

At December 31, 1995 a provision of 55.7 million (1994—$68.8 million), of which $22.7 million is reflected as a long-term liability, has been recorded to provide for the on-going costs of the network restructuring and reorganizations.

8. Share capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1995 and 1994, 93,000 shares at $100 per share are issued and fully paid.

VIA RAIL CANADA INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1995—*Concluded*

9. Commitments

(a) The future minimum rental payments relating to operating leases mainly for real estate, computer equipment and services are as follows:

	(in millions of dollars)
1996	9.8
1997	6.2
1998	6.3
1999	6.7
2000	7.6
Subsequent years up to 2034	56.3
	92.9

(b) As at December 31, 1995, the Corporation has outstanding commitments amounting to $21.6 million (1994—$52.4 million).

10. Pension plans

The latest actuarial valuations of the pension plans were carried out as at December 31, 1993 by external actuaries who are members of the Canadian Institute of Actuaries. Based on these valuations and actuarial projections made for 1994 and 1995 the accumulated plan benefits as at December 31, 1995 are 825.0 million. The net assets available to provide for these benefits at actuarial adjusted market values as at that date amount to $866.7 million.

Using the method identified in the pension plans accounting policy (Note 2 (i)), the pension expense for 1995 was $11.3 million (1994—$8.0 million) and included amortization of past service costs and experience gains and losses.

11. Related party transactions

The Government of Canada authorized operating payments to the Corporation of $259.5 million (1994—$321.5 million) and capital funding of $44.7 million (1994—$47.6 million) for 1995. The Corporation's funding requirements were as follows:

	1995	1994
	(in millions of dollars)	
Funding from the Government of Canada		
Operating	255.8	292.9
Capital	39.6	25.3
	295.4	318.2

In the normal course of business, transactions with other Crown corporations amounted to:

	1995	1994
	(in millions of dollars)	
Revenue	8.6	6.7
Operating expenses	62.3	71.0
Capital expenditures	24.5	19.3
Balance payable at the end of the year		3.1

In addition to these related party transactions and those disclosed elsewhere in the financial statements, the Corporation is related in terms of common ownership, to all Government of Canada created departments and agencies. The Corporation enters into transactions with these entities in the normal course of business on trade terms applicable to all individuals and enterprises.

12. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation and it is the opinion of management that the settlement of these actions will not result in any material liabilities to the Corporation beyond any amounts already provided. The outcome of these contingencies will be allocated to operations in the year in which it occurs.

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